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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

TUESDAY, FEBRUARY 24, 1920

PART 1

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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WILLIAM W. WILSON, Illinois.
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HENDERSON M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk.*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, February 24, 1920.

The committee this day met, at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman), presiding.

The CHAIRMAN. Gentlemen, the committee has been called together this morning, pursuant to a previous arrangement, to consider legislation affecting the meat-packing industry. What is the wish of the committee? I suggest that we first decide upon a program of procedure for the hearings. Mr. Anderson, have you any suggestions to make?

Mr. ANDERSON. Mr. Chairman, when we talked about this matter heretofore I was quite confident that we would be able to conclude the hearings on our side this week, but I understand there are some gentlement coming a long distance who possibly will not get here in time so that we can close the hearings before the early part of next week.

The CHAIRMAN. I might add that several requests to appear before the committee have been received. If there is an agreement reached as to when they may appear we will advise them by wire.

Mr. MCLAUGHLIN of Michigan. Mr. Chairman, some of the matters, as I understand, have been considered by other committees, lately by the committee of the Senate and the hearings have been exhaustive, and I should like to know if it is the idea that men should come and appear before this committee and repeat what they have said.

Mr. ANDERSON. So far as I am concerned, the testimony which we will produce, I think, will not be a repetition of what is already in the record. Of course, I assume that the members of the committee will not care to read all the testimony that has been taken before the Senate committee and the House Committee on Interstate and Foreign Commerce but would be glad to have a résumé of it. It can be shortened so that the facts in the case will be before this committee in a rather more concise form than they appear in the hearings of the Senate committee.

Mr. MCLAUGHLIN of Michigan. Are we not as apt to read the record made in the Senate committee as we are to read the record made here?

Mr. ANDERSON. Perhaps so, although I hope the record will not be nearly so voluminous.

The CHAIRMAN. Shall we have an understanding as to how the time shall be divided and who shall control the time?

Mr. MCLAUGHLIN of Michigan. It seems to me as if a man who has been here and given his testimony, unless something new has occurred, a new situation has developed, or he feels he has something further to say, he ought not to take the time of the committee and his own

time to come simply to reapeat what he has already said. Here [indicating] I understand are two of the volumes of the testimony taken before the Senate committee. I have read some of it and intend to read it all. It was only in the interest of orderly procedure that I suggested that it would not be advisable from any standpoint to repeat what has been said.

Mr. McKINLEY. That is what seems to me the proper way. The members of the committee, as we all know, can read the testimony in a third of the time that it can be delivered, to say nothing of the expense. One of these volumes costs a couple of thousand of dollars for the stenographic work.

Mr. McLAUGHLIN of Michigan. It is very expensive.

Mr. McKINLEY. It would seem better if the testimony which has already be given were not repeated.

Mr. TINCHER. Permit me to ask Mr. Anderson a question. At the time the hearings were conducted by the Senate committee there were two bills pending, the Kendrick and Kenyon bills, as I understand it?

Mr. ANDERSON. Yes, sir.

Mr. TINCHER. By some mutual agreement they let the evidence go as to both of those bills. As a result of hearing that testimony the Senate committee, as I understand it, and if I am not correctly informed I want to be corrected, agreed that they would not report either the Kendrick or the Kenyon bill. It went out over the country that committee had decided not to report any legislation. Some member of the Senate committee told me that that was wrong, that they agreed, after hearing the testimony, to report a bill and they have worked out a bill and introduced a new bill. I do not know what the title of the new bill is.

They reported the bill the other day, and so far as I am concerned I am ready to report that bill without any hearings, but I suppose that some members of the committee are not so interested in the industry as I am and who have not followed the hearings as closely as I have, will want to have hearings before they will be willing to report the bill. Is it your idea to press the Anderson bill or is it your idea to ask for a bill along the lines that the Senate committee has agreed?

Mr. ANDERSON. I am not in entire accord with the Senate bill, but I assume if the committee decides to report a bill at all it will report a bill which represents the views of this committee and not the views of some other committee.

Mr. RAINEY. Mr. Chairman, I think we should do one of two things. We should either decide to accept the hearings as printed and published heretofore, if we care to read them and go into it in that way. As far as the Anderson bill is concerned it is covered in these hearings. If we do not do that, there is only one other alternative. You can not limit the time. If the gentlemen who appear desire to controvert statements that are made, they should have all the time necessary to controvert or explain statements that they may desire.

I have an excerpt here from a paper, which suggests that hearings on the Anderson bill with reference to regulating the meat-packing industry are to start before the House Agricultural Committee to-morrow.

Since April 3, 1916, the meat-packing industry has been the subject of not less than eight congressional hearings, five of which were held within the last year. Hundreds of witnesses have testified at these hearings, while the packers themselves have furnished the various committees and subcommittees whatever information the committees desired. Louis F. Swift, J. Ogden Armour, Edward Morris, Thomas E. Wilson, and E. A. Cudahy, of the so-called "Big Five" packing companies were before the committees of both Houses of Congress for days at the hearings a year ago.

The first in the long series of hearings that began about years ago was before the House Judiciary Committee, starting April 3 and closing June 6, 1916.

The Senate Agricultural Committee held hearings February 14 and 15, 1918.

A subcommittee of the Senate Agricultural Committee held hearings September 17 to 28, 1918.

The House Committee on Interstate and Foreign Commerce conducted hearings starting December 19, 1918, and concluding February 14, 1919.

Hearings before the Senate Agricultural Committee, starting January 13, closed February 13, 1919.

A Senate subcommittee of the Committee on the District of Columbia opened hearings July 21 and concluded them September 16, 1919.

Extensive hearings before the Senate Committee on Agriculture on the Kenyon bill were held from August 18 to September 13, 1919. This bill, somewhat revised, was reported to the Senate, Friday, February 20.

Joint hearings were held by the Agricultural Committees of the House and Senate September 25, 1919.

In addition to the various congressional hearings the meat-packing industry and the packing companies have been the object of a number of investigations by the Federal Trade Commission. These investigations have been held in Chicago, Kansas City, Omaha, and other cities in different parts of the country. During their progress the commission has issued numerous reports attacking the industry, five of these having been issued in the last year. It is understood that four, and possibly more, of these reports are to be issued later.

Here is a copy of the Senate bill 3944, a bill to create a Federal live-stock commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes.

Mr. WILSON. Who introduced that bill?

Mr. RAINEY. Senator Gronna.

Let me explain my attitude. I hope I will not do too much talking during the course of these hearings, if we are to have them, but you gentlemen recognize that these industries are located in the fourth congressional district, the district which I represent, and naturally I am interested in the thousands of workers employed in these plants, not only in my district, but in surrounding districts. I never had an opportunity until Saturday night, I think it was, to read the testimony of the Attorney General before the Senate committee.

And, I desire to call the attention of the members of this committee to the fact that two years ago when I became a Member of Congress, as a result of considerable criticism that I had read in the newspapers about the Big Five, as they are termed, I came down to Washington, anxious to do something, if possible, to correct some of the evils that had been stated to exist; after I was in Congress a few months and had an opportunity to look behind the legislative scenes and to listen to some of the discussions on the floor, and some of the speeches that were made, I came to the conclusion that a great deal of this criticism was unfounded, and that a great deal of misinformation was being given to the public. So one day on the floor of the House I said to the Members—and there was a large attendance—from now on this criticism and these attacks must discontinue, unless they were warranted, that unless the man anxious to make a speech and tell the country something about the industries in my district

had the facts to substantiate them, I would write the industries and tell them when they read these speeches and publications in the newspapers, if they had facts to controvert the testimony that was offered or the information given, I invited them to send them to me and as the representative from that district I would be glad to see that the membership of the House and the people of this country heard both sides of the case. I further stated on my return to Chicago I would call on the representatives of these industries and give them my idea of legislation here and what they should do.

When I went back home I called on Mr. Thomas Wilson, of Wilson & Co., and Mr. J. O. Armour. Mr. Morris was out of the city and I saw a Mr. MacFarland. I called on Mr. Swift. He was out of the city, and I saw Mr. Veeder. I told them that from my experience in Congress I thought a great number of Members were inclined to be opposed to the packing industry; they felt the packers were taking advantage of the producers of the country. Whether that was true or not I did not know, but I suggested they ought to check up and find out and then get together and come down and see the President of the United States. If they had any hesitancy in trying to make an appointment I would be glad to try and make the appointment with the President for them; it would be advisable to sit around the table with the President of the United States and find out from him just what his attitude was toward the industry, find out where the fault lay, bring the producers, packers, and farmers together, to bring in all parties concerned that they would probably reach some understanding that might be agreeable to all and of benefit particularly to the great masses of the country, the consumers. That was the last I heard of it. I knew some of these gentlemen were in Washington recently. I did not know the purport of their visit here or what they were doing, but when I read the account on Saturday of the Attorney's General's statement before the Senate Committee I felt that it was possibly the result of my efforts in trying to bring the producer and the packer together, so that the consuming public might reap the benefits.

Mr. HULINGS. Will the gentleman permit a question?

Mr. RAINEY. Certainly.

Mr. HULINGS. What is this about; what is before the committee now?

The CHAIRMAN. Mr. Rainey has the floor.

Mr. MCKINLEY. Mr. Rainey is a member of the committee.

Mr. RAINEY. I thought I might be permitted to complete my statement. I do not know that I have covered it as well as I might.

Mr. HULINGS. I understood that we were going to have a hearing this morning. If you are going to proceed as planned, that is one thing, but if you are going to make speeches, I have some other work to do.

Mr. LEE. I think that a member of the committee has the right to make a statement.

Mr. RAINEY. I feel that I certainly have a right to make a statement as to the industries in my district and what I have attempted to do for those industries and for the producer and for the public.

Mr. HULINGS. We came here to hear——

The CHAIRMAN (interposing). It was understood that we would discuss a program.

Mr. RAINEY. The net result of what I have been saying is this: As long as the Attorney General has met the representatives of the industries and they have entered into an agreement where a decree will be entered, I think if you gentlemen have not read that decree that it would be advisable for you to read it, and before we start hearings on another bill and on other legislation that we should give an opportunity for the decree to be tried out.

Mr. MCLAUGHLIN of Michigan. We all want the facts, and if we have them not, an opportunity should be afforded for hearing both sides, but is it not true that the gentlemen whom you have mentioned feel that they have said all they wish to say and that it is of record here available to the committee, and they do not care to come again and repeat what they have said?

Mr. RAINEY. I imagine that would be their attitude, with this exception, however, that this is a new committee, that they have never heard the evidence which has been printed, whether they have read it or not, and if you are going to have hearings and the facts all brought out here, I think they should be given an opportunity to meet these charges and to go just as far as they think they should go.

Mr. MCLAUGHLIN of Michigan. It is true that the committee has the advantage of some very fine new members, but the committee as a whole is not new and this matter is not new to the committee as a whole.

Mr. RAINEY. That is true, but these matters have never been brought directly before the committee as far as a hearing is concerned. My attitude is this: If we are going to have hearings at all it is rather difficult to set a definite time. I do not know what Mr. Anderson has in mind, but when he gets through I think these gentlemen should have every opportunity and whatever time is necessary to controvert, deny, or produce any evidence or testimony they wish.

The CHAIRMAN. I do not think there is any difference of opinion as to that. Have you any suggestion as to the time?

Mr. RAINEY. I have not any.

The CHAIRMAN. Mr. Anderson may possibly have some suggestion. After we hear him we will hear the suggestions of others, and see if we can come to an agreement.

Mr. MCLAUGHLIN of Michigan. The custom which has always been followed by this committee when a bill is introduced by a member of the committee, has been to give him every opportunity and to observe, as far as possible within reason, his wishes. Mr. Anderson has introduced this bill and we are following that custom. I have no disposition to change it, except to suggest that there is a mass of testimony along the same line, and it will not serve any good purpose to have men appear before us and repeat what they have already said. When we spoke about hearings, I think I am correctly informed, the packers said that they had made all the statements that they wished to make and that they would not appear?

Mr. RAINEY. No, sir; I have never been so informed.

Mr. ANDERSON. So far as I am concerned, I am perfectly willing, if the committee desires it, to take the bill up for consideration without hearings at all. I am perfectly willing to stand on the record that is already before the various committees of the House and the report of the Federal Trade Commission in this matter, but I did not feel

and I do not feel now that it would be either fair or in accordance with the usual custom of this committee to take up a bill without giving an opportunity to those who desire to be heard on the specific legislation under consideration. It was because of that fact, not because I did not think that the record already contained everything which was either necessary or desirable that the committee should have in order to act upon the matter, that I asked for these hearings. I desire that they shall be just as brief as they can be to present what additional matter there is to be presented. If I get an opportunity I shall undertake to show that there is some change in the situation which I believe justifies the committee in hearing some testimony. I do not think that the people who desire to be heard will require more than the remainder of the week. It is probable some of them can not get here before the end of this week, and consequently the discussion of the proposition might run into next week for a day or two, but I think not longer than that. We certainly would not take more than a week of actual time altogether, provided, of course, the committee does not examine the witnesses to an extent which will extend the hearings.

The CHAIRMAN. There may be matters coming up in the House so that the members of the committee may have to spend considerable time on the floor.

Mr. WILSON. Judging from past experience, there is not any possibility of considering this legislation without full hearings. I think the committee should permit people to come and say what they have to say in respect to the legislation proposed. Has not that always been your experience when we had such matters before the committee?

Mr. MCLAUGHLIN of Michigan. I think they should be heard.

Mr. MCKINLEY. Just to get the matter before us, I move that the people in favor of the bill have three days of this week to be heard, and Monday and Tuesday of next week—that will give them five days—and let the people in reply have the remainder of the week, four days, in which to present their side.

The CHAIRMAN. You had better divide it evenly.

Mr. MCKINLEY. Well, five days in which to answer.

Mr. ANDERSON. And give us a day in rebuttal in case we should desire it. I think we should have the right to close the hearing.

Mr. RAINEY. Mr. Chairman, do you think that we can prescribe the time for the answer?

Mr. MCKINLEY. You will have just as much time as the other people.

Mr. RAINEY. Suppose in the examination and cross-examination of witnesses it would take longer for the others to deny charges, how can you limit rhe information that you are going to get? If men are charged with certain things—you might charge a man with some crime in five minutes and it might take five days to deny that particular accusation. Of course, we want to hear the facts, and I want to have them presented.

Mr. WILSON. For one, I do not think that it would be wise to close the testimony before any of it is heard. I do not want to stay here three or four weeks listening to this testimony. It does not seem to me that it would be a good thing to say that we will give this group three days and another group three days, because they may not be

able to meet the charges in that time. I think if we are going on with this hearing the thing to do is to go on with the hearings and if at some time in the future we can limit the testimony and discussion we can do it, but to close the door——

Mr. LEE (interposing). Do you not think that 10 days would suffice?

Mr. WILSON. I do not know whether that would be sufficient or not.

Mr. ANDERSON. I should like to say, Mr. Chairman, that the major portion of all the hearings that have heretofore been conducted was occupied by the packers and their witnesses. It has been assumed that the report of the Federal Trade Commission contained practically all of the evidence which it was necessary to adduce in behalf of the legislation, and there has been very little opportunity for the stockmen, the producers, or the consumers to be heard. They ought to have a chance to be heard. I have asked the Attorney General to state his views as to the sufficiency of this decree as obviating the necessity for legislation. It is needless for me to say that I do not think it obviates the necessity, but I think that the Attorney General should be heard.

Mr. TINCHER. Mr. Chairman, I am interested in this legislation. It was not my privilege to be a Member of Congress two years ago. My friend, Mr. Rainey, was before me. I came here with the idea of aiding legislation along the lines of this bill. I never introduced a bill or made a speech on the floor and circulated it around in my district because other matters of legislation have had the attention of the committee ever since I have been in Congress. It seems to me that the time has now arrived, if you are going to legislate, that this committee can afford to give fair, open hearings on this proposition. I think it is important. I think there are three conditions that no one will deny. You can call them charges or facts or whatever you want to call them. First, the producer of live stock and meats is being bankrupted, is working to a disadvantage, and can not continue under existing conditions. Second, the packer is rolling in wealth, is living in luxury, setting an example of extravagance and waste, using most of his money to promote cheap propaganda that has no place in a free government, and can accomplish no good. Third, the average consumer is reduced to practical want and is hungry for the producer's meat. If this committee has some proposition that is more important to consider than the facts presented to us here, I do not know what it is. Personally, I do not know of anything that is more important for this committee to consider than the proposition of legislation along this line. It is in fact that the packers are more urgent and are using more money to advertise in the country newspapers——

Mr. WILSON (interposing). Is not that true of any concern doing business to-day in the country?

Mr. TINCHER. It is not true of the men who are producing the meat.

Mr. WILSON. I am talking about business concerns.

Mr. TINCHER. They are not advertising for business; they have an advertising propaganda to promote legislation. I say this, that it would be unfair for this committee, unfair to the packers, to say that this committee should just take the report of the duly authorized Government agent, the Federal Trade Commission's report, and

report out a bill in accordance with that, because they say that report is not true, not a fact, but I do say that the consumers of the country, the producers of the country, and the packers, if they are unjustly accused by a governmental agency, that they are entitled to a full and fair hearing before this committee and we can consider no more important proposition, to my mind, between this time and when we will be ready to legislate upon this proposition.

Mr. LEE. I second, Mr. Chairman, the motion of Mr. McKinley.

Mr. YOUNG. I want to make this statement, Mr. Chairman. The question involved in this hearing goes much further, in my judgment, than the simple buying and handling of live stock. That is an important item in itself, but the way I see this situation and the way I understand it from my general reading is that here is a great business institution composed of five separate organizations primarily engaged in buying and selling, first, live stock, and then the finished product from it, a very necessary agency, and I would not destroy that agency unless I had something better to offer, and I have not. But these great institutions have not been satisfied with confining their operations to the live-stock industry. They have reached out until if they persist in the conduct in which they have been engaged it will only be a few years until they will be in control of the whole food industry of the Nation. That is a great power that would be vested in them. Now, as a matter of policy, can this Government, and Congress is a part of the Government, sit here and see five great organizations control the whole food supply of the Nation and put everybody else out of business? We all know that the ordinary human being when he gets power will exercise that power. It is a big question, in my judgment, that we have to deal with as the Congress. Is it right and proper for us as the Congress to permit five great institutions to be intrenched behind such power as they can exercise under their present methods of doing business? That is one of the great questions that we have to consider; it is one of the biggest questions that ever came before any Congress.

When I see great wealth, for instance, like the Standard Oil Co., growing out of the Standard Oil, but using the finances produced by reason of that great piece of machinery to set up drug stores all over the country and putting private people out of business—any other institution of that kind, it raises a tremendously important and interesting question. That is a question raised, among others, in the consideration of the packing industry. I think that it is a great duty that confronts us, to lay out a policy, and a governmental policy, that will control the operations not only of the packers but anything else that reaches out to assume and operate under such great powers as we see these people operate under.

Mr. RAINEY. Mr. Young, did you read the decree that is about to be entered by the Attorney General?

Mr. YOUNG. I saw the decree.

Mr. RAINEY. That attacks the Big Five?

Mr. YOUNG. It does not go as far as I would have it go. Just to illustrate, all of you gentlemen have the proposition confronting you and your people, as we have in our section. The cotton growers have found a very valuable product in the cotton seed. We did not know it existed. In my young days and my manhood days it was considered a waste. It now produces about one-fourth the value of the

crop. In order for that commodity to be valuable, local people and local capital had to set up a cottonseed oil mill by which they took the hull off the kernel and crushed the kernel and got a vegetable oil which is very valuable; a very valuable food product.

Local capital discovered what could be done and they built these little oil mills all through my section of the country. What happened? This only illustrates how these people reach out for power. These packers saw the opportunity, and as far as I know, there is no law prohibiting them from doing it, but they came down into that section and began to buy up the oil mills all through the country until they had secured control of the market for the oil mill product. In the first place, that put the local people out of business because they could not compete with the great big organization. I do not think that should have been done. Every American has to follow some pursuit. They put them out of business. Now, if a man is running an independent oil mill in my section of the country he will say, "I can not get a market, I have to watch the newspapers and follow the packers' market." That is true. That is true of the peanut oil. That is only one industry. I do not think that it is good public policy that they can go down there and do that kind of thing. I think it is too much power vested in any group of men. Then running right along, to show where this power will lead to, there is the little gin, the place that the farmer has to take his cotton to after he separates the cotton from the lint, and we have had these little gins all over the country in our community, and we know about what is the right and proper value of this cotton gin, but when a great power can be exercised and the packers take them all over, which they can do, there is nothing to prevent it, then the little private gin is driven out of business, and that leaves me, as a cotton producer, subject to any whims or any demands made by the great power exercised by these people who have taken them over. They can control not only the price of the ginning, but absolutely name the price of the industry. They have made or destroyed the market by the power that they exercise. That is a great fundamental question.

Mr. WILSON. Is it your idea that we should have some control of the question so as to prohibit men, any man or any combination of men, going anywhere they care to and entering into any kind of enterprise?

Mr. YOUNG. It is my fixed judgment that there should not be any small combinations of men entrenched behind great financial power that can reach out and take over the various industries of this country and drive other men out of business. They can do it in this way. That is the only suggestion that I want to make along that line, showing some of the questions that must confront us here.

Then, you take further, they have reached out and organized banking institutions with packers' capital. You give a man control of credit as pertains to any given industry and he can choke to death that industry. That would give rise to the question whether or not we ought to, by some legislation, say to the packers, "We need you as a distributing agent, we have to have you, but here are certain dead lines that you can not go over, it is contrary to public policy to go across these dead lines." I think it is one of the most serious things that ever confronted Congress.

Mr. MCLAUGHLIN of Michigan. Having in mind what Mr. Young has just said and what Mr. Tincher said a moment before him, and

assuming as true what each of the gentlemen has said, I still think that it would not be advisable for us to have repeated the great mass of testimony that is already in the record. If I thought that any good purpose would be served by it, I would not object, because I appreciate the importance of this whole proposition. I have only suggested that these hearings be confined to bringing out new matter and that a reasonable limit should be put on these hearings. I think Mr. McKinley has suggested a very fair procedure and for one I wish to support his motion.

Mr. McKINLEY. After talking with some of the gentlemen, I think the committee wants to do what Mr. Anderson wants. It is his bill. What Mr. McLaughlin has said concurs fully with my mind. There is not any need for repetition, but it might be difficult. The hearings will run four or five hours a day, but we may be interrupted. I amend my motion that the hearing of both sides be limited to 40 hours, which would be about 10 days.

Mr. ANDERSON. Make it 50 hours.

Mr. McKINLEY. And let that time be divided equally between the packers and Mr. Anderson's men favoring this bill. Then, that the Attorney General have a reasonable time to make a statement, and if at the end of that time the committee feels that there has been injustice done to any one, it may extend the time. I make that as a motion.

Mr. LEE. I accept that.

Mr. VOIGT. Before the question is put, I do not believe that it is practicable to set any limit upon the time. The question which comes up on this legislation, I think, is about as important as anything that comes before Congress. I think that we ought to go into the matter fully and give all parties a chance to be heard. Whether that would take 50 hours on a side or 200 hours, I am willing to stay here and hear anyone who has anything to say. If the time should come when the committee is satisfied that it has all the information that it desires, we can then close the hearing.

Mr. McLAUGHLIN of Michigan. That was involved in Mr. McKinley's motion.

Mr. VOIGT. What is the use of closing the door of this testimony at this time?

The CHAIRMAN. Will you modify your motion so that the 40 hours be divided equally between the two sides, and so that at the end of the 40 hours the committee may close the debate, if advisable to do so, but if found necessary, the committee may give more than the 40 hours to the hearings. The motion would then show that it is the purpose of the committee to close the debate at the end of 40 hours, after which the Attorney General will be given all the time that he may desire.

Mr. McKINLEY. I accept this amendment and ask for a vote.

The motion was agreed to.

The CHAIRMAN. Should we have an agreement as to how the time is to be divided and as to who is to control the time?

Mr. CANDLER. I suggest that Mr. Anderson control the time for his side.

The CHAIRMAN. It has been suggested that Mr. Anderson control half of the time. Who will control the other half—Mr. Rainey?

Mr. RAINEY. Yes, sir; I will be very glad to do it.

The CHAIRMAN. If it is agreeable to the committee the time will be controlled by Mr. Anderson and Mr. Rainey. Without objection it is so ordered. What shall be the procedure of the committee?

Mr. MCKINLEY. Mr. Chairman, I should like to make a motion that when a witness is making a statement he be allowed to complete his statement before he is interrupted, and that then the chairman shall question him and go around the table giving each member an opportunity to question the witness, if he desires, but the witness shall not be interrupted until he has completed his testimony.

Mr. WILSON. Do you mean that when a witness begins to make his statement that he shall be allowed to finish his statement, and not ask any questions until he has finished his statement?

Mr. MCKINLEY. Yes, sir.

Mr. WILSON. That is an unusual procedure in any committee or in any court.

Mr. CANDLER. Let the gentleman make his general statement without interruption and then when he has finished we can cross-examine him on the statement.

Mr. HULINGS. That might occupy his whole time and he would not conclude his statement.

The CHAIRMAN. The time is to be equally divided. That is in control of Mr. Anderson and Mr. Rainey, who will be responsible for the time consumed.

Mr. ANDERSON. I think no one objects to reasonable interruption.

Mr. WILSON. Of course not.

Mr. ANDERSON. Of course, with the predilictions of this committee, it is perfectly clear that when you start out to cross-examine right off the bat, you lead into all the ramifications and it takes all the time of the witness.

Mr. RUBEY. If you proceed along that particular line each side will have notice of what is going to take place. A witness may take 20 minutes or 15 minutes to make the statement, and so as to give plenty of time for questioning I believe that we will get along much better if we commence questioning the witness just as soon as he goes on the stand.

Mr. MCKINLEY. I ask for a vote.

Mr. WILSON. I should not support any motion like that. The irregularity of such a proceeding in a hearing of this importance is very unusual. I am not one of the members of the committee who take up much time of the witnesses, and I do not expect to in this hearing.

The motion was agreed to.

The CHAIRMAN. We will now hear from Mr. Anderson. It is 11.10 o'clock.

STATEMENT OF HON. SYDNEY ANDERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA.

Mr. ANDERSON. Mr. Chairman and gentlemen of the committee, I confess to some diffidence in addressing the committee from the stand of the witness. I very much prefer the advantages incident to talking to the committee as a member of the committee rather than as a witness.

I confess also to some embarrassment as the result of the attitude of the committee, which, apparently, is opposed to a reconsideration

of anything which has already appeared in the record because, naturally, my knowledge of the packing business and of its relation to the purchase, manufacture, and distribution of live stock and live-stock products comes from books, and it is, therefore, material which is already in the record. But I can excuse myself, and I hope the committee will excuse me, for making the statement, because I hope to be able to present a résumé of the situation in more concise form than the committee might be able to get otherwise.

The committee has also adopted a rule in opposition to interruptions. I remember that I once thought that there was some form of language which would exactly express and convey to another the idea that was in my mind, but I have found after considerable experience in endeavoring to state both in writing and by words the thoughts in my mind that it frequently happens I am unable to convey in a single statement to those who are listening to me exactly what I mean; and so I hope, so far as I am concerned, that the members of the committee will feel entirely at liberty to interrupt me if I do not make myself clear to them. I hope to make a logical and concise statement, but if I do not make myself entirely clear at any point, I hope the members of the committee will feel free to interrupt me.

The gentleman from Illinois—Mr. Rainey—suggested that he found a great deal of opposition to the packing industry in the Congress. I am not opposed to the packing industry, and I do not think that anyone who knows anything about the industry would be opposed to it. I am opposed, however, so far as I am concerned, to certain practices in which the industry has engaged, and to the centralization of the industry in very few hands, and it is to this particular situation, to those practices, and to that centralization that I wish to address myself.

Since I introduced this bill there has been a very considerable change in the situation. A suit has been brought against the five large packing concerns in the country, and that suit is apparently now about to mature in some sort of consent decree. Apparently that decree deals with one problem which we found most difficult in drafting this bill originally, and that is a separation of the packing plants from the so-called unrelated business. I do not know what that decree will contain. I do not even know whether as to the relation of the packing industry to the selling of soda fountains, soda sirups, and three or four hundred other unrelated articles is concerned the decree if sufficient, but I do know, if we are to credit the statement that appeared in the press, that it is not sufficient to avoid the necessity for the regulation of the meat-packing industry which, I think, is necessary from the standpoint both of the producer and the consumer and in the public interest.

In order that the committee may have clearly in mind the situation with respect to the particular provisions of the bill, I want to say also that I agree it is desirable that the administration of the act, whatever act is passed, should be in the hands of a commission instead of in the hands of the Secretary of Agriculture, as the bill now before the committee provides. It is perhaps also possible to eliminate from the bill as it now stands the provisions with respect to receiverships and still retain adequate regulation and supervision of the industry.

The bill in my judgment is deficient; all the bills which have been considered are deficient in the method and means of regulating live-

stock exchanges and stockyards, and I shall suggest later on a method of regulation which I hope will appeal to the committee with reference to these two items.

Roughly speaking and without attempting to go into methods or into details, any bill covering this subject ought to provide in my judgment for the following things:

(1) Public supervision of interstate packers under license by a commission appointed by the President and confirmed by the Senate.

(2) A provision which will make the refrigerator car a public utility in a sense in which the independent producer, the independent packer, will not only have the same right to the use of the car as the owner, but will also get the same use of it. And in this connection I want to say that there is a difference in this situation between having the right to use the car and getting the same service that the owner himself gets.

(3) I think there should be a separation of the stockyards from packer control of any sort, and that there should be public supervision—I use the term "public supervision" advisedly in lieu of regulation—there should be public supervision of the stockyards and the live-stock exchanges with adequate provision for the regulation of the charges and conditions of service rendered.

In addition I think there should be affirmative provisions, constructive provisions, in any legislation which is enacted which will promote the development of the slaughtering industry in the producing sections of the country. I mean by that an encouragement of cooperative and municipal development of the slaughtering industry. So much for that.

Because of the imminency of the pending consent decree I do not intend to discuss the ramifications of the packing industry into other unrelated lines of business. That is already in the record anyway, and it would not be possible to discuss it with any degree of satisfaction until the details of the form of the consent decree are accurately known. Consequently I will confine myself for the present to the relation of the packing industry to the purchase, manufacture, and distribution of meat and meat products.

For that purpose I have undertaken to visualize that relation on the map which you see here on the wall. On this map the principal stockyards of the country are indicated by large squares. You will find the principal ones located at St. Paul, Sioux City, Omaha, St. Joe, Kansas City, East St. Louis, Fort Worth, Oklahoma City, Chicago, Cincinnati, Buffalo, and several places in the east—New York, Jersey City, and so forth. The relative proportion of packer ownership—and when I say packer ownership I refer, of course, to the group of the Big Five packers—the relative proportion of packer ownership in these stockyards is indicated by the colors in the squares. And all the way through on this map, with the exception of in the figures, red indicates the ownership of Swift & Co., blue indicates the ownership of Armour & Co., yellow indicates the ownership of Morris & Co., and dark blue represents the ownership of Wilson & Co., green represents the ownership of Cuhady & Co., and black indicates independent ownership. When I speak of independent ownership, of course I do not mean only the ownership of

independent packing plants, but I mean ownership by anybody except the Big Five.

Mr. J. P. LIGHTFOOT (attorney for Wilson & Co.). I would like to ask for the sake of accuracy that some of these matters be made a little clearer. I will say that Wilson & Co. do not have any owner ship in the 12 large market centers you refer to there, but——

Mr. ANDERSON (interposing). And I have not said that they did, but I have said that the colors as far as they appear on the map indicate ownership of each of the Big Five not only in the large yards which are represented by the little squares, but also in the plants which are represented by the circles; and also in the branch houses which are represented by colored triangles. I imagine that the committee can not see the colored triangles from the distance at which many of the members are sitting, but there are about 1,200 of them on the map, and the most of them are located in the East in the large consuming centers.

For the purpose further of visualizing the situation I have indicated in each State roughly the excess marketings of cattle in 1918 over the slaughter of cattle in each State in 1918. That is to say, the blue figures preceded by the symbol M–S indicate the excess marketings of cattle over the slaughter of cattle. And the blue figures preceded by the symbol M–C indicate the excess marketings over consumption. The red figures indicate, where they are preceded by the letters M–S, that in that State the slaughter is in excess of the marketings. And where the red figures are preceded by the symbol M–C they indicate the excess of consumption over marketings within the State.

Now, gentlemen of the committee, I do not expect that you have followed me in all this, but I assume you will want to examine the map later on and for that purpose would like to know what the symbols indicate: I shall try to give them to you in a plainer but more general way——

Mr. HULINGS (interposing). There, for instance, in the State of Tennessee I see M. C. 103,360; what do those figures indicate?

Mr. ANDERSON. In Tennessee they indicate the consumption is about 103,000 in excess of marketings.

Mr. HULINGS. Do those figures represent dollars or pounds?

Mr. ANDERSON. No; the whole thing is reduced to cattle. The map is all on the basis of cattle. I have put it all on one basis so that it may be the more readily comparable. And I should say in this connection that these figures are not actual statistics. I mean by that in order to get these figures I had to reduce percentages into number of cattle; I had to take the percentages and work them back, because no such figures so far as I know are available as actual statistics.

Roughly speaking about two-thirds—to be accurate, 69 per cent—of the cattle of the country were produced in the year 1918 west of the Mississippi River. About two-thirds of the people of the country live east of the Mississippi River—to be accurate, approximately 69 per cent of the people live east of the Mississippi River. Consequently it is clear that about on-third of the total supply of cattle—and that would be about one-half of the cattle raised west of the Mississippi River—moved from that great production section of the country across the Mississippi River, through the great centers of

slaughter, into the section of consumption. To indicate it yet in another way, the section west of the Mississippi River produced practically all of the cattle which is in excess of the marketings in any State. The section of the country which is east of the Mississippi River and south of Mason and Dixon's Line produced in the main more cattle than they have slaughtering facilities to handle. And from that section about 1,800,000 cattle moved into these great slaughtering centers which I have indicated and there were slaughtered, and about 700,000 of them moved back into the South for consumption in the form of beef. The great consuming section of the country is that section east of the Missippissi River and north of Mason and Dixon's Line; the only exception to that rule as far as I know being the States of Wisconsin and Michigan.

I want to put the thing now in figures so that I can carry you along and show you what becomes of the cattle and the conditions which they meet when they arrive at these great stockyards and slaughtering centers: In 1918 something over 10,000,000 cattle, apparently, were marketed west of the Mississippi River. About 5,000,000, or one-half of these cattle, were consumed west of the Mississippi River. The remainder of them moved on the great transcontinental lines into these great slaughtering centers, which, if you will notice on the map, are located at the strategic points in the movement of the cattle from the western producing centers to the eastern consuming centers. If you have in your mind the general plan of the railroads of the country you will see that these great stockyards and these great slaughtering centers are located at those points where the transcontinental lines center and from which they radiate out into the great consuming cities of the country—the great consuming States of the country.

Now, I say that about 5,000,000 of those cattle produced in the west in excess of the number necessary for consumption there— and I want to remind you that those 5,000,000 cattle represent not only a considerable portion of the profits of the farmers of the great west, but that they also represent a considerable portion of the capital of those farmers—must move for the purpose of slaughter into these great slaughtering centers.

About 300,000 of them so far as I can estimate moved into the stockyards at Sioux City; and when they came into those stockyards they came into a yard of which Swift, Armour, and Cudahy own or control 75 per cent of the capital stock. And practically 100 per cent of those cattle, according to the figures of the Federal Trade Commission—assuming that the division of purchases which pertained in 1916 still continues—were slaughtered by the three packing plants I have indicated.

About 200,000 of the excess, roughly speaking—perhaps more, perhaps somewhat less—moved into St. Paul. There they moved into a stockyard in which Swift and Armour apparently own, or did in 1916, 64 per cent of the capital stock. And practically all that excess is there bought by the two plants as I indicated.

About 1,000,000 of this surplus moved into Omaha, and in that stockyard Armour, Swift, and Cudahy own 31 per cent according to the figures of the Federal Trade Commission, which I think have not been denied, and 100 per cent of them were slaughtered by these concerns.

About 450,000 of those cattle moved into St. Joe. And at that stockyard Swift and Morris own 83 per cent of the capital stock. And practically all of the cattle—I think something like 90 per cent according to the figures of the Federal Trade Commission—were bought and slaughtered by the packing plants indicated.

I should say here in stating the percentages of cattle purchased by these concerns I do not refer to the total slaughter or the inspected slaughter; I am referring to the surplus above local consumption, that comes out of the West and moves into the consuming centers of the East.

Now, of those cattle about 1,500,000 go to Kansas City and are are sold in the stockyard there. When they are sold in that stockyard the group of the five large packers have whatever advantage there is due to their ownership or control of 50.33 per cent of the stock of that yard. According to the figures as I have them here, that ownership is in Morris, Armour, Swift, Cudahy, and Wilson.

Mr. RAINEY. May I make a suggestion right here?

Mr. ANDERSON. Yes.

Mr. RAINEY. In suggesting the ownership of Morris, Swift, and other packers would not it be advisable to indicate what ownership each of them have?

Mr. ANDERSON. That is all a matter of record in the Federal Trade Commission's reports, and if the gentleman from Illinois (Mr. Rainey) and the committee desire the exact percentages shall be made a part of this record I will ask at this point that that portion of the report of the Federal Trade Commission which gives these figures be inserted in the record at this point.

The CHAIRMAN. Is there objection?

Mr. WILSON. I object as long as it is in the record now.

Mr. ANDERSON. I did not ask that it be put in again.

Mr. WILSON. I do not see why it should be put in to encumber the record when it is already in.

Mr. ANDERSON. I did not ask for it.

Mr. WILSON. No; I do not think anyone asked for that information to be put in here.

Mr. RAINEY. I asked that question because the stockyards at Kansas City are on the exchange and anybody who desires may buy stock in those stockyards.

Mr. ANDERSON. I do not know anything about that. I am giving you the figures of the Federal Trade Commission as they are indicated in their report simply for the purpose of showing who it is that buys this surplus stock that represents a large part of the profit and the capital of the stock raisers of the West and the Southeast.

Mr. MCLAUGHLIN of Michigan. Well, that is not to go into the record, as I understand. There is no use of encumbering the record with all that. I do not see where we are interested in the holdings of any particular man; it is this entire proposition that we are interested in.

Mr. ANDERSON. Yes; and I thought it best if I could boil this down so as to recite the general situation.

The CHAIRMAN. Mr. Anderson, will you state the pages of the Federal Trade Commission's report on which this information may be found?

Mr. ANDERSON. I will do that when I come to the point of going over my remarks. The information referred to can be found on pages

24 and 25 of Part III of the Report of the Federal Trade Commission on the Meat Packing Industry.

Then about 200,000 of those cattle go to the yards at St. Louis. There, according to the report of the Federal Trade Commission, Armour, Swift, Morris, and Wilson own 85 per cent of the capital stock. About 375,000 go to Fort Worth, where Armour and Swift own 69 per cent of the stockyard and buy all of the cattle offered. About 150,000 go to Oklahoma City, where Morris and Wilson own 85 per cent of the capital stock in the yard and buy 100 per cent of the cattle bought at this market.

Altogether somewhat over 4,000,000 of those 5,000,000-odd cattle go into stockyards which are located west of the Mississippi River. The remainder of them are, apparently, handled at East St. Louis and Chicago, and together with them is handled a surplus of about 1,800,000 from east and south of the Mississippi River and about 389,000 that come from the State of Wisconsin. At Chicago Armour owns 19 per cent of the capital stock of the Stockyards Co. and the Big Five buy 87 per cent of the 2,700,000 offered. At East St. Louis Morris, Swift, and Armour own 85 per cent of the stock in the stockyard company and the Big Five slaughtered in 1916, 89 per cent of the 700,000 cattle slaughtered. See attached statement.

Comparison of cattle slaughtered by the Big Five in 1916 and 1903 at 8 markets and New York City and the per cent of the whole.

	Number.	Per cent.		Number.	Per cent.
Chicago:			Fort Worth:		
1903	2,072,421	95.8	1903	225,588	100.0
1916	1,697,425	87.1	1916	364,014	100.0
Kansas City:			Sioux City:		
1903	999,292	99.6	1903	64,668	100.0
1916	1,164,643	99.6	1916	203,482	.....
St. Louis and East St. Louis:					
1903	656,742	96.5	Total for 8 cities:		
1916	619,734	89.2	1903	5,206,983	97.7
Omaha:			1916	5,396,641	94.1
1903	728,374	100.0	New York City:		
1916	806,863	100.0	1903	247,106	70.7
St. Joseph:			1916	400,420	97.7
1903	394,280	99.1			
1916	310,028	99.4			
St. Paul:					
1903	65,618	97.5			
1916	230,452	100.0			

Stockyards under entire control of Big Five and percentage of ownership of Big Five (10.9 per cent of total number of yards).

	Per cent.		Per cent.
Boston, Mass	95	Denver, Colo	100
Dallas, Tex	100	Jacksonville, Fla	99
		Milwaukee, Wis	100

Stockyards under part control of Big Five and percentage of ownership by Big Five (47.8 per cent of total number of yards.)

	Per cent.		Per cent.
Baltimore, Md	5	Omaha, Nebr	31
Chicago, Ill	19.4	Portland, Oreg	92
Cleveland, Ohio	8	St. Louis, Mo	85
East St. Louis, Ill	85	St. Joseph, Mo	83
El Paso, Tex	79	St. Paul, Minn	64
Fort Worth, Tex	69	Salt Lake City, Utah	29
Jersey City, N. J. (2)	98–91	Sioux City, Iowa	75
Kansas City, Kans	50.33	Wichita, Kans	45
Louisville, Ky	26	Philadelphia, Pa	46
New Orleans, La	86	Pittsburgh, Pa	97
Oklahoma City, Okla	85		

Stockyards under entire control of independents (41.3 per cent of total number of yards).

Amarilla, Tex.
Atlanta, Ga.
Birmingham, Ala.
Buffalo, N. Y.
Chattanooga, Tenn.
Cincinnati, Ohio.
Detroit, Mich.
Evansville, Ind.
Fostoria, Ohio.
Indianapolis, Ind.
Logansport, Ind.
Nashville, Tenn.
Peoria, Ill.
Richmond, Va.
San Antonio, Tex.
Seattle, Wash.
Spokane, Wash.
Toledo, Ohio.
Philadelphia, Pa.

Now, what are the conditions met by the producer in the movement of this stock? What are the conditions at these stockyards outside of the matter of their ownership and control and control of the purchasing power at them to which the producers of the country object? They have been referred to a good many times, and I only mention them in order that the committee will have them in mind in relation to what I am going to say subsequently.

The first of these practices is what is known as part purchases: That is practice under which one packer will buy a carload or a trainload of stock at a price and turn a part of that carload or trainload over to another packer at the same price. Of course, the producer justly objects to that because he says if such a practice exists where there are practically only two buyers on a market—as is the case, for instance, at Denver—it reducers competition to zero. It is bad enough to have only two buyers; it is worse if the purchases are made in such a way that there is only one buyer and competition becomes nil.

Another practice which is objected to on the part of the producer is that of wiring on. A producer, let us say, ships his stock at Oklahoma City. When he gets there he finds the market unsatisfactory. He concludes that instead of selling his stock on the market there he will ship them on to Kansas City. When his stock arrives at Kansas City he finds that the packer, through his ownership and control of stockyards, has obtained information as to the offer made at Oklahoma City; that that offer has been wired on to Kansas City, and when the stock raiser gets there he can not get a higher price than he was offered at Oklahoma City, although he has since that offer was received paid freight from Oklahoma City to Kansas City and he has to stand the shrink.

Mr. RAINEY. May I interrupt you right there?

Mr. ANDERSON. Certainly.

Mr. RAINEY. Is there anything wrong in that practice of wiring on to the representative in another city what price was offered in the first city?

Mr. ANDERSON. Yes; it is claimed that in view of the centralization and control of the industry which exists that that practice is a distinct disadvantage to the producer, and I concur in that view.

Then it is claimed that another practice exists with reference to split shipments. For instance, when our friend just referred to arrives in Oklahoma City with his stock he concludes that he will find out how much there is to this competition business, and whether one market is better than another, and so he ships a part of his stock from Oklahoma City to Kansas City and another part to East St. Louis. He finds after he has done it that information as to just

where he has shipped his stock has been wired on to East St. Louis and Kansas City, and that the price offered or paid on both those markets is identical, and in some instances it is no higher than the price at Oklahoma City that was originally offered to him, although he has had to pay the freight to both these places and has an added shrink in the cattle.

All this has been denied. I think in the "Analysis of the report of the Federal Trade Commission," published by Swift & Co., it is admitted that some of these practices did exist but they say they no longer engage in them. The point I am trying to make is this: That if the practices do exist, and if abuses do exist, there is now no place where the producer can go for redress. If the abuse relates to stockyards he can apply, I suppose, to the governing board of the stockyards in question; but that board is interested in hearing his complaints and in correcting the situation only so far as necessary, or would be necessary, under competitive conditions—which competitive conditions, unfortunately, do not now exist. I maintain that the producer is entitled to some forum where his complaints as to mistreatment, as to practices engaged in in the purchase of stock, can be heard and determined, and where a remedy can be applied for those practices.

If there were nothing else in this situation; if there were no other justification for this legislation, the necessity for the creation of a tribunal where the complaints of the producer may be heard as to the methods indulged in by the packers and of the methods practiced by the stockyards would justify this legislation.

Let us return to our friend, the stockman: When our friend gets his stock to the stockyards he may think that the charges that are made for hay, and for the service in connection with the stockyards, are excessive. He may think that the service rendered him is inadequate. He may find, as I understand is frequently the case even now, that under the rules of the exchange his stock is sold through two or three commission men and all charge a fee, which becomes a tax upon him, the producer. He finds when he gets there that the rendering privilege is a monopoly handed out by the governing board of the stockyards under the control of the Big Five; and that all he can get for his dead cow is $5, even though the rendering value of the carcass is a great deal more. I do not know whether it is or not, but if there is to be a monopoly of this rendering business I say there ought to be at least such public supervision of the monopoly as will insure a fair deal for the producer who has to take his stock to the market.

Mr. RAINEY. Mr. Anderson, I do not want to interrupt you too frequently, and if I do I will give you some of my time, but when you say that the Big Five packers have a monopoly of the rendering I want to say that I have read somewhere in the testimony that some of the packers have no interest whatsoever in any of these rendering plants.

Mr. ANDERSON. Mr. Rainey, I wish you would follow me accurately because I am trying to speak accurately. I do not say that these packers own these rendering plants, although I think the testimony does show that they own an interest in some of them. I said that this is a monopoly given out by the governing board of the stockyards, and that the packers own the stockyards. That will not be denied by anybody.

Continuing my statement of the complaints of the producer, I will say: He finds perhaps that although his cattle all had four legs when he put them on the car and that they had four legs when they took them off the car at the stockyards, yet when he gets his report from the commission man instead of getting the market price for one animal he gets the price of a cripple. I will not undertake to detail the circumstances under which it is alleged that cattle become crippled in the yards or by which certain cattle are sometimes reported as cripples when they are not cripples while in the yards.

I want again to say that I am not repeating these things for the purpose of making a charge against the packers. It does not make a particle of difference to me whether these alleged practices exist now or do not exist now, so far as the purpose of this consideration is concerned; the fact that they have existed and that they have existed since the first report of the Vest committee in the Senate in 1890 is sufficient justification so far as I am concerned for the passage of legislation providing for suitable public supervision of stockyards, of the live stock exchanges, and of the packing industry in general.

And I want to say in reference to the live-stock exchanges in the management of stockyards, that I do not desire any legislation which will take away from them the management of their business. Personally, I believe in a very large degree of self regulation by any industry, and I have used the words "public supervision" in lieu of regulation, because what I desire to see imposed upon these people is a species of public supervision which will permit them to run their business but nevertheless afford a public forum for the redress of grievances; and, in the second place, publicity of the methods and of the facts in reference to the industry which will be to the advantage in the long run of the industry itself.

My friend here [Mr. Rainey] referred to misstatements as to the industry. I venture the assertion that more money has been spent in the last 12 months by the packers in spreading misinformation about the packing industry than has ever been spent by any like industry in the history of the world.

Mr. RAINEY. Well, right there, Mr. Anderson: There has been a suggestion of considerable money spent by the Federal Trade Commission in spreading information that the facts do not warrant.

Mr. ANDERSON. Mr. Rainey, the facts developed by the Federal Trade Commission were called to the attention of Mr. Swift and of Mr. Armour in the hearings before the Senate Committee over and over and over again—and I read every word of that testimony—the allegations of fact but not the conclusion of the Federal Trade Commission with respect to this industry were admitted by Mr. Armour and by Mr. Swift. It is true that those admissions were not made in their original prepared statements, but Mr. Armour over and over again said, in substance, upon cross-examination: Mr. Heney, you have the figures there I and can not deny them. Mr. Armour said over and over again, in substance: Mr. Heney, if you say that is true I do not question it. On the main the facts developed by the Commission are not denied by anybody.

Mr. RAINEY. Before you leave that subject, Mr. Anderson, you do not want to be understood, do you, as saying that the five large packers have anything to do with the crippling of those cattle after they get into the stockyards?

Mr. ANDERSON. No; I do not say that they did. I do not say that they had anything to do with that. But I did say that crippling sometimes occurred in the stockyards and that sometimes it does not occur at all as I understand, although reports from commission firms indicate that it did occur. And I spoke of it with reference to the abuses in the stockyards and not with reference to any abuses indulged in by the packers themselves.

Mr. MCKINLEY. Mr. Chairman, ought not Mr. Anderson to have an opportunity to make his statement uninterrupted?

Mr. ANDERSON. I do not object at all to interruptions.

Mr. RAINEY. He invited interruption.

Mr. ANDERSON. Yes; I do not object to it at all.

The CHAIRMAN. Inasmuch as Mr. Anderson invited interruption at the outset of his statement any reasonable amount of interruption will be permitted unless he himself objects.

Mr. ANDERSON. If I say anything that anyone wants to question me about I am perfectly willing to be interrupted, and as far as I am able I will give my authority for the statement. And I hope that I shall not say anything which is not backed up by a public record of some sort.

The CHAIRMAN. The motion made and adopted in the committee provided that members would be given an opportunity to cross-examine a witness after he had finished his direct statement. In view of the invitation to be interrupted by Mr. Anderson I take it there is no objection to a reasonable amount of interruption while he is making his statement as long as he does not object. So far I think the questions have been absolutely fair.

Mr. ANDERSON. Yes; and I do not object to them at all.

Mr. RAINEY. Mr. Anderson invited interruption at any time anyone wanted to ask him a question.

The CHAIRMAN. Mr. Anderson, you may proceed. The committee will take action if there is too much interruption of the witness. The Chair will enforce the rule adopted by the committee against interruption while a witness is making his statement in chief if such ruling of the Chair is desired.

Mr. ANDERSON. No; I would prefer to be interrupted if I say anything that needs clearing up.

Mr. HENRY VEEDER (counsel for Swift & Co.). Mr. Chairman, may I interrupt the gentleman for a moment, and please pardon me for making a suggestion?

The CHAIRMAN. Yes; if Mr. Anderson does not object, but first kindly give your name.

Mr. VEEDER. Henry Veeder, of counsel for Swift & Co. Mr. Anderson has just made the statement that the packers have spent a great deal of money, an unusual amount of money, in scattering misinformation. Later on if I understand we are to have an opportunity of replying, and I would like to ask when he makes such general statements as that that he will specify at least a few instances so that we may have reasonable opportunity to deny it. We can not deny general statements. Instead of making general statements if he will follow his general statement by a citation of some instances or illustrations that we may look up and verify and come back and explain to you or deny, as we may desire, it will aid you and us in the matter; aid you in properly understanding it and aid us in properly presenting the situation.

Mr. ANDERSON. I will state facts with reference to the packing industry sufficiently definitely before I get through that you may be in a position to answer without any trouble.

Mr. VEEDER. Including the matter of spreading this information?

Mr. ANDERSON. Yes, sir; I think we will go that far, and probably not go outside of your own Year Book to show it.

Mr. VEEDER. All right.

Mr. ANDERSON. And if I make any general statements without backing them up by public records, I hope the committee will disregard entirely what I have said.

The CHAIRMAN. You may proceed with your statement, Mr. Anderson.

Mr. ANDERSON. It has been asserted by some gentlemen who oppose legislation of this kind that there is sufficient remedy for these abuses in an appeal to the courts. The average stockraiser, in the first place, lives a long distance from the place where these abuses occur; and they are not such abuses, nor are they such practices as readily lend themselves to a remedy through a court proceeding. The court remedy in a case of this kind is no remedy at all. And the fact that these abuses have existed, and admittedly existed, some of them, for more than 25 years, and that there have been no proceedings with respect to them in the courts does not indicate that they have not existed but simply that the stockraisers had not considered the remedy of the use of the courts as a sufficient remedy.

And I again assert, because this is a thing I want to get into the minds of the members of the committee, that the producer of the cattle and hogs has many other difficulties; he does not know when he farrows his pigs whether he is going to get cost of production out of them or not. He is entitled to some forum to which he can make complaint as to the treatment accorded him in the stockyards by the packers, by the commission men and the livestock exchange, and where he can expect that there will be such development of the facts and such public supervision that he will have an adequate remedy for such abuses as exist. That is all I am contending for in this legislation.

Mr. Chairman, I have reached the conclusion of one phase in what I have to say, and as it is now about 12 o'clock I would like to have the committee recess until after lunch.

The CHAIRMAN. What is the desire of the committee as to recess?

Mr. TINCHER. Let me make a suggestion right there and see if it meets with the approval of the committee: Let us have a regular time at which we will recess each day for lunch, and then adhere to that time. In that way each member of the committee and those who are to appear before us will know what plans to make and what to depend upon, and I think we will proceed more satisfactorily.

Mr. WILSON. I think it would be a good idea to have a recess each day at 12 o'clock until 2 o'clock.

The CHAIRMAN. Without objection, it will be so ordered. [After a pause.] The chair hears no objection. It is understood that each day, unless something intervenes, we will recess from 12 o'clock until 2 o'clock p. m.

(Whereupon at 12 o'clock noon, the committee recessed until 2 o'clock p. m.)

AFTER RECESS—2.15 P. M.

The CHAIRMAN. The committee will come to order. Mr. Anderson, you may proceed.

STATEMENT OF HON. SYDNEY ANDERSON—Resumed.

Mr. ANDERSON. Mr. Chairman, before I proceed at the point I was discussing when the committee took a recess, I would like to say that the figures on the map which I referred to this morning I have had reduced to a tabulation. I should like the permission of the committee to have that tabulation printed in the record, and I want to again say with respect to those figures that the figures are my own; that they do not purport to be actual statistics; that they are estimates based upon official percentages and official estimates as to per capita consumption, percentage of marketing, and so forth. I present them not as being statistics, but as being indicative, as to each State, of the conditions in that State in regard to the marketings of cattle in respect to slaughter and the marketings of cattle with respect to consumption.

Mr. LEE. You give it by States, do you?

Mr. ANDERSON. Yes.

The CHAIRMAN. Without objection the matter may be incorporated in the record.

(The tabulation referred to was subsequently submitted by Mr. Anderson and is here printed in full, as follows:)

State.	Marketings.	Slaughter.	Consumption.	Excess marketing over slaughter.		Excess marketing over consumption.	
				Plus.	Minus.	Plus.	Minus.
New England section:							
Maine	59,201	17,247	107,680	41,954	.....	.....	48,479
Connecticut, New Hampshire, Rhode Island, and Vermont	203,176	53,006	376,683	150,170	.....	.....	173,507
Massachusetts	59,415	128,717	527,642	.....	69,302	.....	468,227
Total, New England section	321,792	198,970	1,012,005	192,124	69,302	.....	690,213
Middle Atlantic section:							
New York	568,054	757,978	1,465,719	.....	189,924	.....	897,665
New Jersey	51,260	98,031	424,059	.....	46,771	.....	372,799
Pennsylvania	390,741	280,699	1,211,187	110,042	.....	.....	820,446
District of Columbia and Delaware	15,378	25,597	81,432	.....	10,219	.....	66,054
Maryland	73,395	98,203	190,603	.....	24,808	.....	117,208
Virginia	216,690	57,259	307,548	159,431	.....	.....	90,858
West Virginia	143,994	51,344	198,123	92,650	.....	.....	54,129
Total, Middle Atlantic section	1,459,512	1,369,111	3,878,671	362,123	271,722	.....	2,419,159
Central and southern section:							
Ohio	484,640	491,665	726,020	.....	7,025	.....	241,380
Indiana	342,510	369,042	392,919	.....	26,532	.....	50,409
Illinois	550,812	3,670,933	869,732	.....	3,120,121	.....	318,920
Total	1,377,962	4,531,640	1,988,671	.....	3,153,678	.....	610,709
Michigan	376,761	160,676	431,398	216,085	.....	.....	54,637
Wisconsin	740,707	314,467	351,594	426,240	.....	389,113	.....
Total	1,117,468	475,143	782,992	642,325	.....	389,113	54,637

State.	Marketings.	Slaughter.	Consumption.	Excess marketing over slaughter.		Excess marketing over consumption.	
				Plus.	Minus.	Plus.	Minus.
Central and southern section—Continued.							
Kentucky	236,728	82,401	331,573	154,327			94,845
Louisiana and Mississippi	485,106	228,728	535,001	256,378			49,895
North Carolina	159,372	39,843	339,761	119,529			180,389
South Carolina	99,025	24,756	228,652	74,269			129,627
Georgia	280,746	100,977	404,132	179,769			123,386
Florida	241,388	97,475	129,250	143,913		112,138	
Alabama	280,765	103,069	329,745	177,696			48,980
Tennessee	215,991	70,370	319,555	145,621			103,564
Total	1,999,121	747,619	2,617,669	1,251,502		112,138	730,686
Total, central and southern section	4,494,551	5,754,402	5,389,332	1,893,827	3,153,678	501,251	1,396,032
Western section:							
Arkansas	249,310	62,327	246,828	186,983		2,482	
California	535,434	258,700	429,434	276,734		106,000	
Colorado	355,558	232,917	139,673	122,641		215,885	
Idaho	146,091	42,018	63,569	104,073		82,522	
Iowa	1,007,492	724,761	306,273	282,731		701,219	
Kansas	768,667	1,973,047	258,011		1,204,380	510,656	
Minnesota	682,224	530,549	322,864	151,675		359,360	
Missouri	627,236	900,826	474,738		273,590	152,498	
Montana and Wyoming	506,542	147,330	93,165	359,212		413,377	
Nebraska	842,528	1,251,901	178,534		409,373	663,994	
Nevada and Oregon	338,015	143,985	138,048	194,030		199,967	
New Mexico	311,754	77,938	60,161	233,816		251,593	
North Dakota	255,815	63,954	108,953	191,861		146,862	
Oklahoma and Arizona	741,406	593,477	364,766	147,929		376,640	
South Dakota	464,369	141,151	101,229	323,218		363,140	
Texas	1,348,604	1,009,296	633,436	339,308		715,168	
Utah	128,849	72,001	62,451	56,848		66,398	
Washington	130,380	156,019	228,603		25,639		98,223
Total, western section	9,440,274	8,382,197	4,210,736	2,971,059	1,912,982	5,327,761	98,223
Grand total	15,716,129	15,704,680	14,490,744	5,419,183	5,407,684	5,829,012	4,603,627

Total marketings	15,716,129
Total slaughter	15,704,680
Excess marketing over slaughter	11,449
Excess marketing over slaughter	+5,419,133
Excess marketing over slaughter	−5,407,684
Excess marketing over slaughter	11,449
Total marketings	15,716,129
Total consumption	14,490,744
Excess marketing over consumption	1,225,385
Excess marketing over consumption	+5,829,012
Excess marketing over consumption	−4,603,627
Excess marketing over consumption	1,225,385

Mr. ANDERSON. In addition, Mr. Chairman, when I closed this morning I was discussing the lack of adequate machinery for the hearing of complaints with respect to the conduct of stockyards and live-stock exchanges in the packing industry generally. In this connection, I would also like to have permission to insert at this point a copy of the Canadian law for the regulation of live-stock exchanges and stockyards in Canada. It is very short.

The CHAIRMAN. Without objection it is so ordered.

(A copy of the Canadian law for the regulation of live-stock exchanges and stockyards, submitted by Mr. Anderson, is here printed in full, as follows:)

7-8 GEORGE V, CHAPTER 32.

An act respecting live stock (assented to September 20, 1917).

His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. This act may be cited as the live stock and live-stock products act, 1917.

2. In this act, and in any regulation made hereunder, unless the context otherwise requires:

(a) "Commission merchant" means any person or partnership in Canada engaged in the business of buying or selling live stock for a commission.

(b) "Inspector" means any inspector or other officer or person authorized by the minister to perform any duty under this act or under any regulation.

(c) "Live stock" means neat cattle, sheep and swine.

(d) "Minister" means the minister of agriculture.

(e) "Regulation" means a regulation made under the authority of this act.

(f) "Stockyard" means any area of land used as a public market for purchasing and selling live stock, with the buildings, fences, gates, chutes, weigh scales and other equipment situated thereon and used in connection therewith.

(g) "Live-stock products" means meat, poultry, eggs, and wool.

3. (1) There shall be a live-stock exchange in connection with each stockyard operated under this act, of which live-stock exchange every commission merchant doing business at such stockyard shall be a member, unless he holds a special license from the minister.

(2) Nothing in this act, or in any regulation made hereunder, shall take away, or in any manner limit, the right of any farmer or drover to sell his live stock at any stock yard.

4. (1) A live stock exchange shall not be operated until the by-laws to regulate the management and business of such exchange have been duly approved by the minister, and a written notification of such approval has been sent by the minister to the secretary of such live stock exchange.

(2) Such by-laws shall provide for the admission as members of such live stock exchange of such persons as desire to carry on the business of commission merchants, on such terms and conditions as may be fixed by the by-laws, and such by-laws shall require every commission merchant becoming a member of the exchange to furnish sufficient satisfactory security for the proper accounting by such commission merchant of the proceeds of any sales received by him, and of any money paid to him to effect any purchase.

5. The governor in council may authorize the minister to issue special licenses to permit any person therein named to operate on a stock yard as a commission merchant, and may prescribe the terms and conditions upon which such licenses shall be issued, and the fees to be paid therefor.

6. Every stock yard shall be constructed and equipped in accordance with the regulations, and no stock yard shall be operated or used until it has been inspected and approved by the minister or an inspector, and every stockyard shall, at all times, be open to inspection by the minister or any inspector.

7. (1) The owner, lessee, occupier or operator of every stockyard shall manage such stockyard in conformity with written by-laws, and shall submit such by-laws, and a schedule of the fees and charges to be charged for live stock using such stockyard, to the minister for his approval, and such by-laws shall not have any force, nor shall the owner of the stock yard use the same for marketing live stock, or be entitled to collect any fees or charges, until such by-laws and schedule of fees and charges have been approved by the minister.

(2) Any stockyard not operated or maintained in conformity with the regulations may be closed by order of the minister, but no such order shall issue until 30 days after written notice has been given to the owner, lessee, occupier, or operator of such stockyard specifying the reasons for which it is proposed to issue such order; and the minister shall consider any objection offered by such owner, lessee, occupier, or operator to the issue of a closing order.

8. (1) The provisions of this act shall not apply to any stockyard now in operation until the minister has caused a written notice to be served on the owner, manager or other person in charge of such stockyard, notifying such person of the date from and after which this act shall apply to such stockyard, but such date shall not be less than three months after the date of the service of such notice.

(2) The minister shall have power to decide whether any public market where live stock is purchased and sold, hereafter established, is a stockyard which is to be operated under the provisions of this act.

9. The governor in council may make regilations prescribing—
(*a*) The manner in which stockyards are to be constructed, equipped, maintained, and operated.
(*b*) The manner in which complaints against commission merchants and the operation, maintenance, or management of stockyards shall be made and investigated.
(*c*) The manner in which live stock, meat, poultry, eggs, and wool shall be graded and branded or marked, and what shall be the size of packages containing meat, eggs and poultry, the kind of package that may be used, and how such packages shall be branded, marked, or labeled.
10. Any person violating any provision of this act, or of any regulation, shall be liable on summary conviction to a fine not exceeding $100, or to imprisonment for a term not exceeding three months, or to both fine and imprisonment.
11. Any person assaulting, obstructing or interfering with any officer in the performance of his duty under this act, or refusing to allow any officer to enter any building or other premises, shall be liable on summary conviction to a fine not exceeding $50, or to imprisonment for any term not exceeding one month, or to both fine and imprisonment.

Mr. ANDERSON. I want now to carry the movement of excess cattle to which I referred this morning a little further. It now assumes the shape of beef and beef products, the by-products of the slaughtering industry. When it leaves these great centralized slaughtering plants it goes to the centers of consumption in refrigerator cars, 93 per cent of which are owned by the five large packing groups. The mere statement of that situation, it seems to me, is sufficient evidence of the necessity for some public supervision of the use and utilization of refrigerator cars. It ought to be a matter of common knowledge, and I think it is, that the exclusive ownership and control of a facility of commerce can not but militate against the upbuilding of competitive industry. A small independent packing plant, under existing circumstances, would be compelled to make use of the 7 per cent of public refrigerator cars which are available. The service—if he could get those cars in adequate numbers for his business—would be insufficient.

The point that I am trying to make is simply this: That when a refrigerator car travels from Chicago to Utica, N. Y., for instance, that that refrigerator car ought to be a public facility which is open to anybody who wants to use it; and that is all I seek to do by the legislation which is here proposed.

When this meat reaches the cities in which it is consumed it is distributed through branch houses, 87 per cent of which, if my recollection is correct, are under the control and ownership of the five large packing groups and 12.1 per cent under the control or management of the so-called independent packers.

In this connection I want to call the attention of the committee to some statistics contained in a report made by the Commissioner of Corporations in 1905 as to the amount of the business, or the amount of meat handled, by the large packing groups in the various cities of the country, and the increases that have taken place under that control.

In 1905, according to the report of the commissioner of corporations, the then so-called large western packers, who belong either to the present group of five large packers or their predecessors in interest, furnished to the city of Portland, Me., 85 per cent of the total meat supply; to the city of Cambridge, Mass., 99 per cent; the city of Lowell, Mass., 85 per cent; Worcester, Mass., 97 per cent; Wilmington, Del., 65 per cent; Norfolk, Va., 90 per cent; Richmond, Va., 50 per cent; Duluth, Minn., 75 per cent; Birmingham, Ala., 75 per cent.

I shall insert some official figures, with the permission of the committee, showing that where those percentages are capable of increases; that is, where they are not up to 85 or 90 per cent of the total sales of meat in the city, that the percentages have actually increased from 1905 down to the present time.

[United States Report on Beef Industry, 1905, p. 70.

TABLE 24.—*Proportion of the fresh-beef supply of certain cities furnished by the western packers.*

	Per cent.
Portland, Me.	85
Cambridge, Mass.	99
Lowell, Mass.	85
Worcester, Mass.	97
Providence, R. I.	98
Auburn, N. Y.	50
Syracuse, N. Y.	75
Erie, Pa.	45
Scranton, Pa.	90
Trenton, N. J.	85
Wilmington, Del.	65
Norfolk and Newport News, Va.	90
Richmond, Va.	50
Charlotte, N. C.	30
Raleigh, N. C.	15
Wilmington, N. C.	50
Charleston, S. C.	45
Columbia, S. C.	25
Savannah, Ga.	70
Jacksonville, Fla.	70
Nashville, Tenn.	50
Macon, Ga.	67
Birmingham, Ala.	75
Mobile, Ala.	20
Vicksburg, Miss.	50
Duluth, Minn.	75
Milwaukee, Wis.	20

Mr. ANDERSON. Referring to the increasing control of both the live-stock markets and the sale of meats in the consuming centers, Report No. 113 of the Bureau of Markets, entitled "Meat Situation in the United States," contains the following statement on page 50:

On the whole, it is apparent that the large packing interests exercise an increased and increasing degree of control over the industry and that effective means should be sought whereby this concentration of ownership and control may be made subject to suitable regulation in the interest, not only of the producers and consumers who are dependent upon them, but also in the interest of the corporations themselves.

TABLE 39.—*Estimated proportions of fresh beef used in specified eastern cities supplied by the five large packers.*

[Report No. 113, of the Bureau of Markets, "Meat Situation in the United States."]

City.	1904.[1]	1916.[2]	City.	1904.[1]	1916.[2]
	Per cent.	*Per cent.*		*Per cent.*	*Per cent.*
Albany	.....	80	Harrisburg	.....	60
Baltimore	50	60	Newark	.....	90
Boston	85	95	New York City	75	90
Buffalo	17	45	Philadelphia	60	75
Cincinnati	25	10	Pittsburgh	67	85
Cleveland	33	40	Washington, D. C.	.....	95
Columbus	.....	50	Wheeling, W. Va.	.....	20

[1] United States Commissioner of Corporations, Special Report on the Beef Industry, 1905, pp. xxi, 66–70.
[2] Estimates obtained by Office of Markets and Rural Organization.

Branch packing houses in the United States.

	Number.	Per cent.		Number.	Per cent
Swift & Co.	361	31.7	Wilson & Co.	120	11.
Armour & Co.	260	22.9	All others	138	12.
Morris & Co.	148	13.0			
Cudahy & Co.	101	8.9	Total	1,138	100.

Percentage under control of Big Five: 1,000 branch houses	87.
Percentage under control of all others: 138 branch houses	12.
Total	100.

Mr. WILSON. You mean the price has increased?

Mr. ANDERSON. No. I say the percentage of meat sold by the five large packing groups has increased, indicating that they do a larger percentage of the total business done in these cities. Incidentally, I might say that my recollection is that the figures show that approximately 100 per cent of the business in the city of Washington is done by one or the other of the five large packing groups, and my recollection is—I will not be certain about it—that practically 100 per cent of it is done by two of them.

It is often claimed—the statement has been repeated over and over again, I think, in advertisements and elsewhere—that the total percentage of the cattle slaughtered controlled by the Big Five was not in excess of 45 per cent. I have a table compiled by the Bureau of Animal Industry of the Department of Agriculture showing by geographical divisions the number of cattle slaughtered at the plants where Federal inspection obtains, and the number of cattle, or the proportion of the cattle in those markets which were slaughtered by the Big Five; and I want to put that statement in the record.

The CHAIRMAN. Without objection, it is so ordered.

(The table prepared by the Bureau of Animal Industry, Department of Agriculture, submitted by Mr. Anderson, is here printed in full, as follows:)

Statement of slaughter at official establishments, fiscal years 1909 to 1918, inclusive.

[Prepared by the Bureau of Animal Industry, United States Department of Agriculture.]

Establishments.	Fiscal year.	New England section, comprising Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut.			Middle Atlantic section, comprising New York, New Jersey, Pennsylvania, North Carolina, Delaware, Maryland, Virginia, West Virginia, and District of Columbia.			Central and Southern section, comprising Ohio, Indiana, Illinois, Michigan, Wisconsin, Kentucky, Louisiana, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee.		
		Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.
Big Five	1909	.....	47,666	.....	171,162	492,180	45	1,720,996	3,179,718	5,744,105
All others	1909	58,613	316,368	1,850,025	1,051,576	2,112,994	4,607,623	1,175,360	952,990	8,601,015
Big Five	1910	.....	16,895	.....	169,517	497,567	.....	1,835,349	3,455,536	4,187,603
All others	1910	68,967	337,119	1,564,897	738,096	1,938,804	3,876,618	1,106,711	995,982	6,282,409
Big Five	1911	.....	10,082	.....	262,060	316,929	139,915	1,751,691	4,249,252	4,980,531
All others	1911	56,781	366,064	1,590,110	746,045	2,121,059	4,045,877	1,067,345	1,147,618	5,816,595
Big Five	1912	.....	.....	.....	172,701	515,038	1,591	1,726,788	4,512,314	5,329,037
All others	1912	74,201	446,496	1,806,781	658,440	2,425,326	4,851,448	1,088,485	1,240,400	7,994,668
Big Five	1913	.....	.....	.....	257,705	600,002	52,276	1,692,509	4,773,961	5,357,422
All others	1913	91,999	452,462	1,751,206	614,831	2,209,182	4,407,301	857,338	1,096,453	6,651,494
Big Five	1914	.....	.....	.....	248,671	558,630	47,325	1,563,523	4,699,777	5,702,899
All others	1914	86,667	436,742	1,665,073	604,913	2,201,646	4,553,309	926,810	1,082,073	7,745,283
Big Five	1915	.....	.....	.....	232,665	435,274	55,214	1,831,842	3,670,046	6,525,131
All others	1915	77,462	321,593	1,645,745	597,249	1,633,240	4,889,976	864,735	1,031,550	8,139,220
Big Five	1916	.....	.....	.....	229,259	443,943	55,867	2,219,998	3,557,126	7,491,446
All others	1916	104,591	309,567	1,716,605	628,320	1,670,642	5,480,164	937,855	858,654	9,170,925
Big Five	1917	.....	.....	.....	319,315	491,514	54,638	2,436,189	3,403,930	7,107,603
All others	1917	90,929	263,389	1,816,911	663,927	1,260,332	5,181,766	1,155,173	665,991	8,718,581
Big Five	1918	.....	.....	.....	318,719	490,490	286,535	2,836,288	2,851,817	7,031,554
All others	1918	95,225	219,579	1,701,173	696,087	1,234,415	3,665,926	1,368,210	539,034	7,327,083
10-year average:										
Big Five		.....	.....	.....	238,177	489,157	69,341	1,961,517	3,835,348	5,995,733
All others[1]		80,543	346,938	1,710,853	699,948	1,880,764	4,565,001	1,054,802	961,074	7,644,729

Statement of slaughter at official establishments, fiscal years 1909 to 1918, inclusive.

Establishments.	Fiscal year.	Western section, comprising all States west of Mississippi River.			Total for United States.			Totals for United States.			Fiscal year.
		Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	
								Per cent.	*Per cent.*	*Per cent.*	
Big Five	1909	2,706,231	2,542,720	9,325,888	4,598,389	6,262,284	15,070,038	59.9	57.8	43.0	1909
All others	1909	781,373	1,175,438	4,769,281	3,066,922	4,557,790	19,917,944	40.1	42.2	57.0	1909
Big Five	1910	2,991,177	2,689,059	7,139,743	4,996,043	6,659,057	11,327,346	62.4	59.6	40.4	1910
All others	1910	1,096,004	1,236,607	4,944,677	3,009,778	4,508,512	16,668,601	37.6	40.4	59.6	1910
Big Five	1911	2,869,691	3,270,869	7,714,521	4,883,442	7,847,132	12,834,967	62.1	61.3	44.1	1911
All others	1911	1,099,253	1,306,474	4,774,441	2,969,424	4,941,215	16,227,023	37.9	38.7	55.9	1911
Big Five	1912	2,753,953	3,719,672	9,105,894	4,653,442	8,747,024	14,936,522	62.5	61.1	42.6	1912
All others	1912	963,912	1,447,528	5,398,345	2,785,038	5,559,750	20,051,242	37.5	38.9	57.4	1912
Big Five	1913	2,910,636	4,510,526	7,711,697	4,860,850	9,884,489	13,121,395	68.7	66.4	43.5	1913
All others	1913	620,799	1,081,997	4,226,326	2,184,967	4,849,094	17,036,327	31.3	33.6	56.5	1913
Big Five	1914	2,685,467	4,808,254	8,753,153	4,497,661	10,066,661	14,503,377	68.2	68.1	44.9	1914
All others	1914	476,371	986,518	3,809,806	2,094,761	4,706,979	17,773,471	31.8	31.9	55.1	1914
Big Five	1915	2,925,326	4,747,783	10,104,578	4,989,833	8,903,103	16,684,923	71.6	69.6	46.0	1915
All others	1915	435,026	877,714	4,884,754	1,974,472	3,864,097	19,559,705	28.4	30.4	54.0	1915
Big Five	1916	2,950,325	4,517,007	12,000,677	5,399,582	8,518,075	19,547,990	72.2	70.3	47.4	1916
All others	1916	408,518	748,897	5,298,779	2,079,784	3,587,760	21,666,483	27.8	29.7	52.6	1916
Big Five	1917	4,187,804	4,555,250	12,761,242	6,943,308	8,450,694	19,923,483	74.6	75.3	49.3	1917
All others	1917	445,742	573,092	4,699,301	2,355,772	2,762,804	20,416,559	25.4	24.7	50.7	1917
Big Five	1918	4,941,230	3,125,998	11,477,522	8,096,227	6,488,305	18,795,611	74.7	72.8	53.1	1918
All others	1918	573,386	420,308	3,918,914	2,732,858	2,413,336	16,613,096	25.3	27.2	46.9	1918
10-year average:											
Big Five		3,192,184	3,848,714	9,609,491	5,391,879	8,180,682	15,674,565				
All others		690,038	985,457	4,672,462	2,525,327	4,174,284	18,503,045				

Statement of slaughter at official establishments.

Establishments.	Fiscal year.	New England section, comprising Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut.			Middle Atlantic section, comprising New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, West Virginia, and District of Columbia.			Central and Southern section, comprising Ohio, Indiana, Illinois, Michigan, Wisconsin, Kentucky, Louisiana, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee.			Western section, comprising all States west of Mississippi River.			Total for United States.			Fiscal year.
		Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	Cattle.	Sheep.	Swine.	
		Per ct.	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	
Big Five	1909	0.0	13.1	0.0	13.9	18.8	0.0	59.4	76.9	40.0	77.6	68.4	66.2	59.9	57.8	43.0	1909
All others	1909	100.0	86.9	100.0	86.1	81.2	100.0	40.6	23.1	60.0	22.4	31.6	33.8	40.1	42.2	57.0	1909
Big Five	1910	0.0	4.8	0.0	18.6	20.4	0.0	62.3	77.7	39.9	73.3	59.7	59.9	62.4	59.6	40.4	1910
All others	1910	100.0	95.2	100.0	81.4	79.6	100.0	37.7	22.3	60.1	26.7	40.3	40.1	37.6	40.4	59.6	1910
Big Five	1911	0.0	2.6	0.0	25.9	12.9	3.3	64.4	78.8	46.1	72.4	71.5	61.8	62.1	61.3	44.1	1911
All others	1911	100.0	97.4	100.0	74.1	87.1	96.7	35.6	21.2	53.9	27.6	28.5	38.2	37.9	38.7	55.9	1911
Big Five	1912	0.0	0.0	0.0	20.7	17.5	.03	61.3	78.5	42.1	74.1	72.0	62.8	62.5	61.1	42.6	1912
All others	1912	100.0	100.0	100.0	79.3	82.5	99.97	38.7	21.5	57.9	25.9	28.0	37.2	37.9	38.7	57.4	1912
Big Five	1913	0.0	0.0	0.0	29.5	21.3	1.1	66.3	81.4	44.6	82.5	80.7	64.6	68.7	66.4	43.5	1913
All others	1913	100.0	100.0	100.0	70.5	78.7	98.9	33.7	18.6	55.4	17.5	19.3	35.4	31.3	33.6	56.5	1913
Big Five	1914	0.0	0.0	0.0	29.1	20.2	1.0	62.3	81.3	42.4	85.0	83.0	69.7	68.2	68.1	44.9	1914
All others	1914	100.0	100.0	100.0	70.9	79.8	99.0	37.7	18.7	57.6	15.0	17.0	30.3	31.8	31.9	55.1	1914
Big Five	1915	0.0	0.0	0.0	28.0	22.9	1.1	67.9	78.1	44.5	87.1	84.4	67.5	71.6	69.6	46.0	1915
All others	1915	100.0	100.0	100.0	72.0	77.1	98.9	32.1	21.9	55.5	12.9	15.6	32.5	28.4	30.4	54.0	1915
Big Five	1916	0.0	0.0	0.0	26.7	20.9	1.0	70.3	80.6	44.9	87.9	85.8	69.4	72.2	70.3	47.4	1916
All others	1916	100.0	100.0	100.0	73.3	79.1	99.0	29.7	19.4	55.1	12.1	14.2	30.6	27.8	29.7	52.6	1916
Big Five	1917	0.0	0.0	0.0	32.4	28.0	1.0	67.8	83.7	44.9	90.5	88.9	73.1	74.6	75.3	49.3	1917
All others	1917	100.0	100.0	100.0	67.6	72.0	99.0	32.3	16.3	55.1	9.5	11.1	26.9	25.4	24.7	50.7	1917
Big Five	1918	0.0	0.0	0.0	31.4	28.5	7.2	67.4	84.1	48.9	89.7	88.2	74.6	74.7	72.8	53.1	1918
All others	1918	100.0	100.0	100.0	68.6	71.5	92.8	32.6	15.9	51.1	10.3	11.8	25.4	25.3	27.2	46.9	1918

Mr. ANDERSON. I will not go into it at any length. I do want to say, however, that the figures are not compiled by the Federal Trade Commission; they are compiled by the Bureau of Animal Industry of the Department of Agriculture. They show, in a general way, that two-thirds of the inspected cattle slaughtered in the southeastern section of the country were slaughtered in plants owned by the five large packing groups and that three-fourths of the slaughter of inspected cattle west of the Mississippi occurs in plants owned and controlled by the five large packing groups.

These figures also show that there has been an increase in the actual proportions of cattle slaughtered in inspected plants by the Big Five, for illustration, taking the country as a whole, in 1909—and that is only 10 years ago—the Big Five slaughtered 59.9 per cent of the cattle slaughtered in inspected plants; in 1918 they slaughtered 74 per cent.

In 1909 the Big Five slaughtered 57.8 per cent of all sheep slaughtered in inspected plants, and in 1918 72.8 per cent.

As to swine, in 1909 they slaughtered 47 per cent, and in 1918 53 per cent.

Mr. WILSON. Right there, Mr. Anderson, if it does not interrupt your course of thought; I do not care to do that.

Mr. ANDERSON. I will be glad to answer you.

Mr. WILSON. It just occurs to me from your statement here to ask this: Do you think they should not be allowed to do that?

Mr. ANDERSON. I will get to that, Mr. Wilson, directly.

Mr. WILSON. Excuse me.

Mr. ANDERSON. I will say this, however, at this point, that I regard the entire situation as one which must be dealt with as is. I mean by that that the control of the situation, the domination of the Big Five of the markets of the country, their control of the facilities for purchasing, for manufacturing and distributing of beef products or animal products is such that it will be absolutely unthinkable, it would be impossible to consider, revolutionizing the industry or crippling it, because the inevitable and the prompt result of doing that would be that the producer would have no market at all and people would not be able to get meat products. Consequently, I say that it is not a question of destroying the meat-packing industry. Nobody but a fool would want to do that; nobody who knows anything about the packing industry would want to injure it or destroy its efficiency. It is a question, as I see it, of such public supervision as would remove abuses and which would give to the producer, as well as to the consumer, the assurance of a square deal. That is what I have in mind.

Now, if I may resume: These percentages do not indicate the full extent of the increases in the proportion of the slaughter by the Big Five, for the reason that inspected slaughter to which these figures relate, has increased since 1914 from about 61 per cent to 70 per cent, that is to say, the inspected slaughter to which these figures relate is a larger proportion of the total slaughter now than it was in 1909.

Taking the figures of the Bureau of Animal Industry as to the relation of inspected slaughter to the total slaughter of cattle the figures would run something like this: The total inspected slaughter during the calendar year 1918 was 11,778,000. Of that slaughter 74 per cent was by the Big Five, that is, about 8,000,000. The total mar-

ketings, that is, the total slaughter for that year, including inspected and uninspected slaughter, was about 15,000,000. So that the percentage of all of the slaughtering done by the five large packing groups in 1918 was about 56 per cent of all the slaughter done in the country. I do not think that that figure is especially significant, because after all it is the inspected slaughter and the portion of the inspected slaughter which represents the excess which goes to market for consumption in the great consuming centers in the country, in the middle east and the northeast, that fixes the price and represents the real control of the industry. That 45 per cent statement is one of the statements to which I referred this morning as misleading; and I want to say in that connection that I was induced to make that statement with reference to misinformation by the remarks of my friend from Chicago.

Mr. WILSON. Which one?

Mr. ANDERSON. My friend to my left, Mr. Rainey.

And I do not think it is necessary to assert here that I do not mean the large packers are intentionally and with malice aforethought making false statements to influence public opinion. I just do not think they are telling quite all the truth, and I do think that some of their statements are decidedly subject to misinterpretation.

It is asserted—and I come now more directly to the economic side of this question—that this centralization of the industry is warranted because of the resulting efficiency; that it is warranted because it has enabled these large groups to reduce the amount of waste, and because it has enabled them to accomplish a better utilization of the by-products. I think I will be able to show that none of the results have come from the centralization of the industry, at least to the extent of closing the margin between what the farmer gets for the cattle and what the packer gets for the beef. I think I shall be able to show that the packer to-day is getting a larger profit per pound, a larger profit per dollar of sales, at a larger cost per head and a larger actual profit upon investment than he got in 1905 or that he got in 1890; and I realize that when I make that statement I am doing it in the face of the constant and reiterated claim that the enormous volume of business done by the packers has enabled them to reduce the margin between the price of cattle and the price they receive for the beef. If that volume has not reduced the margin then it seems to me that the claim of justification for this great centralization of industry falls absolutely and unqualifiedly to the ground. In what I shall say about this particular proposition, I shall deal entirely with public records or with the records submitted to the public by the packing industry itself.

In Swift & Co.'s yearbook for 1919, on page 48, it is asserted that the profit—that is, the profit in 1918—amounted to about a quarter of a cent a pound on dressed meat. But since a little over half of the animal comes forth as meat, after the dressing operation, it reduces it to about one-eighth cent a pound on the live animal. I venture the assertion that that statement is not borne out by their own statement of profits. But, assuming that it is true, one-fourth of a cent a pound is twice as much as they made in 1903, according to the report of the Bureau of Corporations; and I read now from page 260 of the report of the Commissioner of Corporations, which

was published in 1905. In that report on the page referred to, under section 30, summary of statistics, it is stated:

> This computed profit per head is equal to 13.1 cents per hundred pounds of beef for the first period and 13.5 cents per hundred pounds of beef for the second period, or a little over one-eighth of a cent per pound in each case.

I am taking the public record for the profit of the packing groups in 1905, and I am taking their own figures for their profit in 1918; and those figures show an increase of 100 per cent a pound in the profit which they make on a pound of beef.

I want to refer at this place to what I consider the inaccuracy of this claim of one-fourth cent a pound. Its inaccuracy is pretty fairly demonstrated by the fact that it is in another place in another yearbook referred to as one-ninth of a cent a pound. But according to Swift's yearbook for 1919 their total profit on the meat end of the business was $18,000,000 in 1918, and their total sales of meat for that year a little less than 3,000,000,000 pounds. It does not take a statistician, it does not take an auditor or certified accountant to figure that a profit of $18,000,000 on 3,000,000,000 pounds of meat is about six-tenths of a cent per pound, which is very different from one-fourth cent a pound.

Now, I assert that the cost per head of handling the cattle is greater to-day than it was in 1905 or 1898 for the same services.

I refer now to a report made by a committee of the Senate in 1890 "on the transportation and sale of meat products," and, incidentally, I might say that this report found that most of the abuses and most of the concentration of which we are now complaining existed at that time.

In connection with these hearings, Mr. S. B. Armour and Mr. P. D. Armour both submitted a statement as to the profits made by Armour & Co. I think one at the Chicago office and one at the St. Louis office—I do not recall the detail as to that. The only thing I wish to call to the attention of the committee in that respect is that it was stated in both reports that the total expense of killing, cooling, and selling a thousand-pound animal was $1.75. They both agreed as to that, and that figure is apparently agreed to by everybody who testified in behalf of the packers in connection with this hearing. There was a committee of butchers who figured the cost at $1 a head, and I judge from what they said they rather suspected it was not more than 50 cents.

The same question as to the cost of killing, cooling, a head of beef was investigated by the Bureau of Corporations, and according to the report of the commissioner, on page 205, these costs are given as follows:

Per head:	
Killing and dressing	$0.6149
Refrigeration and shipping	.5731
Administration and selling	.7395
Total	1.9275

for the entire cost of killing, dressing, refrigerating, and shipping one head of cattle.

Mr. HULINGS. What year was that?

Mr. ANDERSON. That covers the years 1902 and 1903, I think.

I refer now to a statement made by Mr. White, the vice president of Armour & Co., before the Senate committee last summer, in which he gives the plant cost, apparently, so far as I am able to ascertain what they are, for the killing, dressing, and cooling of a head of beef, for an average of five months at 6.72 a head. That is a little better than three times what they were in 1905.

Mr. WILSON. You said 1902, I believe?

Mr. ANDERSON. They were given in the report of the year 1905; the year, I think, is 1903.

In the 1918 yearbook of Swift & Co. the total cost of handling a beef animal—and this figure includes in addition to what is included in these other figures, evidently—the cost of freight, and branch house expense per head is 9.79, leaving a profit of 1.02 a head; and for 1919 the test case shows an expense per head of 11.68 and a loss per head of 70 cents. I am not asserting that these costs are too high. I do not know whether they are or not; I have no means of knowing whether they are or not. I recognize that the cost of manufacture all up and down the line has increased since 1903, and has very immeasurably increased since 1890. I am simply making this statement for the purpose of showing that in spite of the volume which is now, if my recollection serves me correctly, about six times what it was in 1903—the cost of handling a head of cattle has increased about four times.

The average profits of Swift & Co., Armour & Co., and the S. & S. Co. per head are estimated, on page 260 of the report of the Commissioner of Corporations for 1905, to be 80 cents in 1902 and 82 cents in 1903. Swift's 1919 yearbook estimates a profit per head in 1918 of $1.02.

Comparison of killing, etc., per head.

	1903.[1]	1918.[2]	1919.[3]	1920.[4]
Killing and dressing	$0.6149	$3.52	$5.58	.....
Refrigeration and shipping	.5731	2.57	3.12	.....
Administration and selling	.7395	3.70	2.93	.....
Total	1.9275	9.79	11.63	.....

Comparison of profit summaries for four years.

	1904.[1]	1918.[2]	1919.[3]	1920.[4]
Received for meat	$39.32	$81.45	$88.40	$88.21
Received for by-products	11.96	22.06	31.07	25.59
Total receipts	51.28	103.51	119.47	113.80
Paid for live cattle	48.58	92.70	107.33	102.82
Amount remaining for expense and profit	2.70	10.81	12.14	10.98
Expenses	1.90	9.79	11.63	11.68
Profit	.80	1.02	.51	—.70

[1] Composite figures of Swift, Armour, and S. & S., taken from Report on Beef Industry, 1905.
[2] Swift Yearbook for 1919.
[3] Figures submitted to Senate Committee on Agriculture in August, 1919.
[4] Swift Yearbook for 1920, p. 42.

I want to refer to the profit per dollar of sales, and take the statement in that connection filed by Mr. Weld, representing Swift & Co., before the Senate committee. This statement shows that the net profit on sales of Swift & Co. in 1896 was 0.95 of 1 cent per dollar of sales. I will not read all of these figures. That 0.95 of 1 per cent was on a volume of $104,000,000.

We come down to 1903, and on a gross annual sale of $200,000,000, we find there a net profit per dollar of sales of 1.50 cents. There is apparently a progressive increase in the profit per dollar of sales down to 1917, when that profit per dollar of sales had increased to 3.96 cents. The report of the commissioner of corporations estimates the average profit of Swift & Co., Armour & Co., and the S. & S. Co. per dollar of sales in 1902 at 1.05 cents.

Statement showing capitalization, earnings, dividends, and sales by years, Swift & Co., 1896 to 1918.

Year ended.	Capital at beginning of year.	Surplus at beginning of year.	Earnings.	Dividends.		Surplus, end of year.	Rate of regular dividends on capital stock outstanding.	Earnings on net worth (capital and surplus).	Annual sales in excess of—	Net profits on sales.
				Regular.	Extra.					
							Per cent.	*Per cent.*		*Per cent.*
Sept. 30, 1896	$13,767,300.00	$237,667.00	$990,995.00	$619,528.00	.....	$699,134.00	6	7.98	$104,000,000.00	0.95
Sept. 30, 1897	13,767,300.00	699,134.00	976,858.00	826,038.00	.....	759,954.00	6	6.80	121,500,000.00	.80
Sept. 30, 1898	13,767,300.00	759,954.00	1,199,391.00	882,028.00	.....	1,077,317.00	6–7	8.26	150,000,000.00	.80
Sept. 30, 1899	15,000,000.00	1,077,317.00	2,085,236.00	1,236,170.00	.....	1,926,383.00	7	12.97	160,000,000.00	1.30
Sept. 30, 1900	20,000,000.00	1,926,383.00	2,190,984.00	1,671,362.00	.....	2,446,005.00	7	9.99	170,000,000.00	1.29
Sept. 30, 1901	20,000,000.00	2,446,005.00	2,689,136.00	1,389,136.00	.....	3,746,005.00	7	11.98	200,000,000.00	1.34
Sept. 30, 1902	20,000,000.00	3,746,005.00	2,812,500.00	1,312,500.00	.....	5,246,005.00	7	11.84	200,000,000.00	1.40
Sept. 30, 1903	25,000,000.00	5,246,005.00	3,000,000.00	1,750,000.00	.....	6,496,005.00	7	9.92	200,000,000.00	1.50
Sept. 30, 1904	25,000,000.00	6,496,005.00	4,025,000.00	2,275,000.00	.....	8,246,005.00	7	12.78	200,000,000.00	2.00
Sept. 30, 1905	35,000,000.00	8,246,005.00	4,200,000.00	2,450,000.00	.....	9,996,005.00	7	9.72	200,000,000.00	2.10
Sept. 30, 1906	35,000,000.00	9,996,005.00	5,737,500.00	3,237,500.00	.....	12,496,005.00	7	12.75	200,000,000.00	2.87
Sept. 30, 1907	50,000,000.00	12,496,005.00	6,203,995.00	3,500,000.00	.....	15,200,000.00	7	9.93	200,000,000.00	3.10
Sept. 30, 1908	50,000,000.00	15,200,000.00	6,300,000.00	3,500,000.00	.....	18,000,000.00	7	9.67	240,000,000.00	2.63
Sept. 30, 1909	50,000,000.00	18,000,000.00	8,025,000.00	4,025,000.00	.....	22,000,000.00	7	11.80	250,000,000.00	3.21
Sept. 30, 1910	60,000,000.00	22,000,000.00	7,050,000.00	4,200,000.00	.....	24,850,000.00	7	8.60	250,000,000.00	2.82
Sept. 30, 1911	60,000,000.00	24,850,000.00	6,137,500.00	4,987,500.00	.....	26,000,000.00	7	7.24	275,000,000.00	2.23
Sept. 30, 1912	75,000,000.00	26,000,000.00	8,250,000.00	5,250,000.00	.....	29,000,000.00	7	8.17	300,000,000.00	2.75
Sept. 30, 1913	75,000,000.00	29,000,000.00	9,250,000.00	5,250,000.00	.....	33,000,000.00	7	8.89	400,000,000.00	2.31
Sept. 30, 1914	75,000,000.00	33,000,000.00	9,450,000.00	5,250,000.00	.....	37,200,000.00	7	8.75	425,000,000.00	2.21
Sept. 30, 1915	75,000,000.00	37,200,000.00	14,087,500.00	5,437,500.00	.....	45,850,000.00	7–8	12.56	500,000,000.00	2.81
Sept. 30, 1916	75,000,000.00	45,850,000.00	20,465,000.00	6,000,000.00	.....	60,315,000.00	8	16.93	575,000,000.00	3.56
Sept. 30, 1917	75,000,000.00	60,315,000.00	34,650,000.00	10,000,000.00	[1] $25,000,000.00	59,965,000.00	8	25.61	875,000,000.00	3.96
October, 1917, and appraisal adjustment year ended Nov. 2, 1918.	100,000,000.00	37,452,901.55 59,965,000.00	21,157,277.44	9,000,000.00	[2] 25,000,000.00	84,575,178.99	8	10.71	1,200,000,000.00	1.76
Total earnings and dividends	.....	.....	180,933,872.44	84,049,262.00	50,000,000.00	.....	.....	.....	.....	.....
Averages	.....	.....	7,866,690.00	3,654,316.00	2,173,913.00	.....	.....	11.91	.....	2.45

[1] Extra cash dividend of 33⅓ per cent used by majority of stockholders to pay for 33⅓ per cent increase in capital stock as of same date.
[2] Stock dividend declared out of surplus arising from revaluation of physical properties.

I submit, Mr. Chairman and gentlemen of the committee, that this statement shows very clearly that nobody has benefited by this great increase of volume, which in 1917 was $875,000,000, unless that person was the packer himself. I think it is very clearly indicated that he was the fellow who profited, because in this same statement I find that in 1896 Swift & Co. were satisfied with the earnings on their net worth equal to 7.8 per cent, and that in 1917 they apparently earned 25.60 per cent on a capitalization which had increased in that time from $13,000,000 to $75,000,000.

In recognition of the fact that there is a normal, and I think a legitimate, increase in the actual cost of handling a head of cattle or 100 pounds of beef, I have prepared a statement containing some figures which show the margins between the price of cattle and the cost of beef in 1902 and 1903, and the same figures as shown by Swift's yearbook in 1918, expressed both in amounts and percentages, and I should say about these figures that they are accurate and fair if the report of the Commissioner of Corporations is accurate and fair—and I think it may be said that nobody ever asserted that the report of the Commissioner of Corporations made in 1905 was unfair to the packers. I say that it is accurate, providing that the figures given in Swift's yearbook are accurate, and it shows that not only has the margin between what the producer in Texas gets for his cattle at Chicago and what the packer gets for beef at Chicago increased, but the percentage of that margin on the price of the cattle has increased; that is to say, not only is the amount larger, but the percentage upon the cost of the cattle is larger.

And, again, I assert that my reason for making that statement and my reason for compiling these figures is not to show that these costs are too high, but to show that the economic advantages alleged to result from this great concentration of the packing industry have never come true. On the contrary, in the hearings before the Senate committee a year ago, or such a matter, it was admitted that the economics of the situation was entirely in favor of the small packer; but it was equally clear that the control of the facilities—purchase, manufacture, and distribution—made it practically impossible for the small packer to succeed except in hogs, where there was a concentration both of production and of consumption.

I would like to insert this statement in the record.

(The statement submitted by Mr. Anderson is here printed in full, as follows:)

Comparison between beef and cattle prices.

Month.	Report on beef industry, 1905 (p. 194).						Swift Yearbook, 1919.						Percentage of difference between beef and cattle prices.			
	1902			1903			1918 [1]			1918 [2]			Beef industry report.		Swift Yearbook, 1919.	
	Beef.	Cattle.	Difference.	Beef.	Cattle.	Difference.	Beef.	Cattle.	Difference.	Beef.	Cattle.	Difference.	1902	1903	1918 [1]	1918 [2]
January	7.06	4.69	2.37	6 17	3.91	2.26	14.77	9.46	5.31	15 38	9 48	5 80	50.6	57.7	56.1	62.0
February	7.11	4.89	2.22	5 88	4.10	1.78	15 61	9.88	5.73	15 64	10 03	5 61	45.4	43.4	58.0	55.9
March	7.82	5.42	2.40	6 09	4.33	1.76	15.88	10.48	5.40	16 70	10 69	6 01	44.2	40 6	51.5	56.2
April	8.69	5.87	2.82	6.76	4.66	2.10	18.24	11.58	6.66	19.78	12.78	7.00	48.0	42.2	57.5	54.7
May	9.04	6 00	3.04	6.84	4.48	2.36	20.58	13.92	6 66	20.97	13.74	7.23	50.0	52.6	[3] 47.8	53.1
June	9.14	5.42	3.72	7.04	4.39	2.65	21.80	13.08	8.72	21.06	12.97	8.09	68.6	60.3	66.6	62.3

Month.	Report on beef industry, 1905 (p. 194).						Swift Yearbook, 1919.						Percentage of difference between beef and cattle prices.			
	1902			1903			1917 [1]			1917 [2]			Beef industry report.		Swift Yearbook, 1919.	
	Beef.	Cattle.	Difference.	Beef.	Cattle.	Difference.	Beef.	Cattle.	Difference.	Beef.	Cattle.	Difference.	1902	1903	1917 [1]	1917 [2]
July	8.25	5.01	3.24	6 60	4.25	2.35	14.80	9.51	5.29	14.66	9.51	5 15	64.6	55.2	55.6	54.1
August	7.70	4.44	3.26	6 56	3.95	2.61	14.08	8.71	5.37	14.48	8.81	5 67	73.4	66 0	61.6	64.3
September	6.77	4.11	2.66	6 41	3.81	2.60	14.52	9.19	5.33	14.48	8.89	5.59	64.7	68.2	57.9	62.8
October	6.68	4.01	2.67	5.95	3 55	2.40	14.29	8.70	5.59	14.04	8.41	5.63	66.5	67.6	64.2	66.9
November	6.49	3.95	2.54	5 88	3 51	2.37	13.28	8.26	5.02	13.25	8.39	4.86	64.3	67.5	60.7	57.9
December	6.76	4.00	2.76	5.83	8.73	2.10	13.60	8.63	4.97	14.24	8.87	5.37	69.0	56 3	57.5	60.5

[1] First week of each month. [2] Average for month. [3] Loss, $1 per head.

It is claimed that all of these figures with respect to the control of the facilities, the machinery for the purchase, manufacture, and distribution of food products, do not amount to anything, because it can not be shown that there is any concert of action between the five large packing groups. I think the overwhelming weight of the testimony is that all of the evils and all of the advantages from the standpoint of the five large packing groups which would flow from an actual, current agreement exist by virtue of the situation, if they do not exist by virtue of current agreement. It is admitted that these groups or their predecessors in interest were in combination of one sort or another from 1885 down to 1903 and subsequently, but it is claimed that those combinations have been dissolved. I do not know whether that is true or not, but I venture the assertion—and I think it is supported by sufficient evidence that this long series of agreements an understandings, pools combinations have resulted in such a fixed relationship and in such a tradition and such a uniformity of policy in the Big Five that all of the advantages to them of combination and all of the disadvantages to the independent packer and the consumer and the producer of such a combination exists to-day.

Mr. WILSON. Is not that true of nearly all lines of business, Mr. Anderson?

Mr. ANDERSON. I do not know. It may be. Unfortunately—or perhaps fortunately, depending somewhat upon the angle in which you view it—I do not know as much about all lines of industry as I think I do about this one, at least so far as that information is in the books.

Mr. RAINEY. Would it be advisable there to state some specific instances of these agreements that you suggest? You have made a general statement there of the agreements, pools, and combinations which have been entered into?

Mr. ANDERSON. The report of the Federal Trade Commission is full of them. It was my understanding that that was not to be rehashed here. I can read this report, or I can go back through the hearings in which my friend Mr. Veeder over here testified, and I think I can find sufficient admission of the existence of these pools, though not of their effect, to satisfy anybody that they existed and the extent to which they existed, and I will do so if the committee desires to have me and wishes me to take the time at a later date. I can not do it offhand here.

But I will just read from Swift & Co.'s analysis and criticism of the Federal Trade Commission's report, on page 27:

> Although the Federal Trade Commission uses every possible means to make it appear that there is a uniformity of percentages in the purchase of live stock, due to agreements among the packers, the truth of the matter is that such uniformity as exists is an indication of active competition and of the close watch that each packer keeps on the others, etc.

Now, then, the uniformity of these percentages is not denied. It is asserted that that is an evidence of competition rather than an indication of a lack of competition; and perhaps it might be admitted—though I do not admit it—that it is an evidence of competition up to the point where the traditional percentage of each buyer is reached, but I do not think anybody would claim that if my friend from Texas (Mr. Young) had two sacks of potatoes and Mr. Rainey only wanted one, and I wanted the other, and we all agreed that he was to

sell us the two sacks of potatoes; that I was to have one sack of potatoes and that Mr. Rainey was to have the other, that there would be very much competition between Mr. Rainey and I as to the price of those potatoes.

There is something more, in my judgment, behind whatever agitation and whatever demand there may have existed for the regulation of this business than the mere knowledge the mere say on my part or on the part of the Federal Trade Commission or somebody else of the existence of conditions of monopoly, or even alleged abuses in the course of the handling of cattle and live-stock products. There must be more behind all of this than mere statistics. What is it? I think behind all this agitation is the fact that the producer of hogs or the producer of cattle when he begins to feed the cattle or the hogs for the market does not know whether when he markets them he is going to get the cost of the corn he puts into them out of them or not.

I think the basis of this agitation is in the fact suggested by my friend from Kansas, that while the producer to-day and during the last year has lost $20 to $40 a head on his cattle, the packer has still been able to pay his usual dividends. I think it is possible that the packer has had no part in this situation, but I think it would be to his advantage, as well as to the advantage of everybody concerned, if we could have a commission which would gather together the facts with respect to the industry and would exercise such supervision over the industry as to restore the confidence of the people of the country in the industry; and I venture to say that sound Government supervision will do more to restore that confidence than the $1,000,000 a month you gentlemen have been spending for advertising during this past year and perhaps before that.

Mr. RAINEY. Would you state upon what you base that statement, that they have spent $1,000,000 a month for advertising, Mr. Anderson?

Mr. ANDERSON. I understand that their program for last year was $8,000,000 and that for this year it is $12,000,000. I do not know how true that is, but I am perfectly willing that they should come in here and tell us what they are spending.

There has been a great effort, Mr. Chairman, through the use of the newspapers, to discredit the investigation of the packing industry undertaken by the Federal Trade Commission. I do not undertake to defend the Federal Trade Commission or its report, but I do venture to say that for the first time since these investigations began—and they have been running, lo, these many years—we have been able to get together a mass of information upon which there seems to be some disposition on the part of the industry to recognize the fact that the public might have some interest in the way they are conducting their business and that possibly the extension of their control of the food of the country was not entirely justified in the public minds.

I do know that this investigation was ordered by the President of the United States and that it was paid for out of funds of the Federal Government. I do know that much of the material gathered in this investigation was referred to and was called to the attention of the heads of these large organizations and that the accuracy of, I think, by far the major portion of it was admitted.

It is not very strange to me that in an investigation as large as this, covering thousands of details which the report covers and which

the testimony covers, considering the fact that much of the information had to be obtained from adverse witnesses and under adverse conditions that there may be inaccuracies in the report. But I venture to say that in 99 cases out of 100 the report states substantially the facts in the case.

And I want to make one more statement, and I am through for this time, at least:

I want again to remind the committee that, as I see it, this situation must be dealt with as it is; that for the present at least the present machinery, the present instrumentalities for the purchase, manufacture, and distribution of meat and meat products must continue. Whatever remedy is applied for the present at least must be applied with a view of continuing this machinery so that there will be a market, some kind of a market, for the hogs and cattle of the farmer and some means of manufacturing those hogs and cattle into pork and beef products and getting them to the consumer. It is for that reason that I am not proposing to revolutionize the packing industry. I am only proposing that there shall be such public supervision of that industry, because of its vital relation to hundreds of thousands of producers and hundreds of millions of consumers in the country as will insure both the producer and the consumer having a square deal; and, as I said this morning, I hope, in addition, that we shall lend such encouragement to private industry to enter into the slaughtering business in the back sections of the country where these cattle are produced as will build up a system which I believe will be more economic and will reflect better prices to the producer than the present system does.

I would like at this time to have the committee hear Mr. Colver, if he is here.

Mr. RAINEY. Before Mr. Colver proceeds there is a suggestion that if any of the members wanted to they might ask Mr. Anderson some questions.

The CHAIRMAN. It will be in order now if Mr. Anderson is ready.

Mr. ANDERSON. That is perfectly satisfactory to me.

Mr. VOIGT. Mr. Anderson, I want to ask you what you think of the propriety of the packers dealing in these side lines that they have been carrying?

Mr. ANDERSON. Well, I think that is a question that is very largely disposed of by the decree of the court. I presume that everybody connected with the matter, on both sides, has agreed with respect at least to those lines of industry which it is admitted have no relation to the packing industry, that there shall be a separation of the packing industry and those unrelated industries.

Mr. VOIGT. If I have been correctly informed, the packers are to give up everything except the meat production, but they are at liberty to retain these side lines of cheese, butter, and eggs. Do you think it is for the best interests of the country to give the packers what amounts largely to a monopoly in the additional lines of cheese, butter, and eggs?

Mr. ANDERSON. I do not.

Mr. VOIGT. Would you divorce the packers from handling those three products?

Mr. ANDERSON. So far as it is possible to do it immediately without destroying the machinery necessary for the marketing of those

products. I will say that I consider the question which you have raised by far the most difficult of any connected with the whole matter, and in the original draft of this legislation I think we had more difficulty with the provision designed to cover that particular question than with any other.

Mr. VOIGT. Here is the thought that occurs to me: The packers control the bulk of the cheese of this country; they are enabled to sell this cheese to every railroad station in the country by means of these refrigerator cars, and it seems to me that if they are to have the right to continue in that business that they can drive out of business any independent cheese dealer who has not the use of these refrigerator cars, and the same applies to butter, eggs, and poultry.

Mr. ANDERSON. I think that is true.

Mr. VOIGT. And I think your idea to make the refrigerator cars absolutely public and free to everybody is the key to this whole situation, so far at least as the allied lines are concerned.

Mr. ANDERSON. I think that is true; that is to say, the independent has no chance to compete unless he can have an equal opportunity to use those facilities which are public facilities of distribution.

Mr. HUTCHINSON. Mr. Anderson, I want to get a little idea of your proposition. As I understand it, you are in favor of a commission appointed by the President. Do you mean that that commission shall make rules and regulations governing this proposition?

Mr. ANDERSON. I did not go into that, Mr. Hutchinson, specifically, but the idea I have in mind is substantially the idea embodied in the Canadian act. Under the Canadian act the Live Stock Exchange and the Stock Yard Corporation are recognized and given a legal status. Operation is left to the governing board of the stockyards and the Live Stock Exchange. But the by-laws of the corporation which govern the receipt of stock and the charges, and all that sort of thing, have to be approved by the Minister of Agriculture, if my recollection is correct; and that is true also with reference to the Live Stock Exchange; and the public charges and the service to be rendered are all subject to the supervision of the Minister of Agriculture.

Mr. HUTCHINSON. We have just had a little experience with the Food Administration rules and regulations. Do you not think that was in the interest of large owners and large manufacturers more than it was of the small people?

Mr. ANDERSON. I do not care to pass an opinion upon that question. I think it would only get us into controversy as to the facts in the matter. I will say, however, that all of the testimony I have heard has indicated that under the sort of regulation, which was a regulation in which the industry regulated itself without any real Government supervision—the industry made more money or as much money as it ever made before.

Mr. HUTCHINSON. I agree with you that it made more money than it ever did before.

Mr. ANDERSON. There is no question about that; and the regulation was a regulation of the large millers, of the large packers, and the larger storage people.

Mr. HUTCHINSON. That is what I am afraid of in this.

Mr. HULINGS. Suppose a refining company buys cars to carry their oil. Would you regard it as proper to make a Government regula-

tion by which a man who had not gone to the expense of building the cars to carry his oil should be able to take the cars of the man who had built them?

Mr. ANDERSON. Fundamentally, I think that transportation is a public function. I can not answer your question specifically. I say that "fundamentally" transportation is a public function, and that the facilities of transportation ought to be open to everyone alike. As a rule I do not think it is wise to take away from private enterprise the advantage which comes from the exercise of more energy or greater ingenuity or better business judgment. But in the matter of facilities for distribution, in the exercise of a public function—and distribution is a public function—I think that those facilities ought to be open to every one alike regardless of whether large or small.

Mr. HULINGS. I quite agree with you, but I just wanted to get your argument as to why you arrived at that conclusion.

Mr. ANDERSON. I have tried to give it to you as concisely as I can.

Mr. RAINEY. With reference to the refrigerator cars, Mr. Anderson, do not the reports of the Interstate Commerce Commission show that the packers lost money by owning these refrigerator cars?

Mr. ANDERSON. I think those reports—and I should preface that by saying it is some time since I have gone into that matter—I think it is true that prior to the increase which took place maybe a year or a year and a half ago that the operation of the refrigerator cars did show a slight loss, according to those reports. My understanding, however, is that since that increase or modification of the rates they have shown an actual profit.

Mr. RAINEY. When the farmer ships his cattle into the stockyards he wants to sell them. If the packing houses become congested, and they have no refrigerator cars to move the dressed beef on toward the consuming centers, will not that militate against the farmer because the packer will be unable to purchase his stock when it arrives?

Mr. ANDERSON. I should say that under present conditions, and assuming insufficiency of refrigerator cars, that there probably would be, if you took the cars away from their present owners, a less efficient management at least for a time; and that if you took them away from them suddenly and provided no more cars that there probably would be a backing up due to the fact that we did not have sufficient facilities and that they were not so economically operated. It is asserted—I do not know whether correctly or not—that under the ownership of the packing groups there is a higher degree of efficiency in the operation of refrigerator cars than there would be if the refrigerator cars were owned by the railroads, for instance; and it is also asserted that there is greater efficiency as compared with cars which are owned by the railroads. Whether that is the fact or not—but assuming that there is a greater efficiency in their operation under packer ownership, so far as I am concerned, taking the economic situation as a whole, and trying to deal with that economic situation not only with respect to the present but with respect to the future, and having particular reference to the decentralization of the industry, I would rather surrender some of that efficiency than to continue the present control. Does that answer your question?

Mr. RAINEY. That answers it so far as showing your attitude toward it.

Mr. ANDERSON. I assume that is what you are trying to find out.

Mr. RAINEY. You suggested that the packers are not always telling the truth. That is a pretty general statement. Now, when these gentlemen come on, of course they want to deny that suggestion. Therefore could you not cite some specific instances, so that they would be able to bring proof in contradiction of them?

Mr. ANDERSON. I referred to a statement which has been frequently made that they handle only 45 per cent of the cattle marketed each year. I do not think that statement is supported by any current public record.

Mr. RAINEY. Can you give any other specific instances?

Mr. ANDERSON. I say that the general impression which they have evidently been undertaking to create with respect to the advantages due to the centralization of the industry and the volume of their business is absolutely unjustified by any figures I have been able to obtain.

Mr. RAINEY. Any others?

Mr. ANDERSON. Oh, there are dozens of them. If you want me to, I will take their yearbook, and I will read it clear through and refer to the ones which I think are misleading.

I want to say in this connection that I am not asserting that they are telling deliberate lies; I do not say that at all. I simply say that sometime they do not tell the whole truth, and that sometimes their statements gave me, and I think gave the general public, a misconception of the situation.

I do not want to take my time to read it, but I am perfectly willing to read it and point wherein I think it is misleading.

Mr. MCKINLEY. You made a general statement, and you should be willing to particularize sufficiently to enable a reply to be made.

Mr. ANDERSON. I have not gone over it with that particular thing in mind. I have said that I think that their statement that they make a quarter of a cent a pound——

Mr. MCKINLEY (interposing). That you did point out specifically. Your statement is in the record on that.

Mr. ANDERSON. I think it is not only misleading, but I think it is absolutely false. It is rather difficult offhand, without going over this record for that specific purpose, to point out a large number of what I consider misleading statements. I would have to read this thing through from cover to cover, I suppose, and point out each item.

Mr. TINCHER. Why not take your time and do it?

Mr. ANDERSON. I am frank to say that I think there are some statements in these yearbooks that are true. [Laughter.]

Mr. TINCHER. Why not point them out too?

Mr. ANDERSON. For instance, one of these yearbooks shows that in three months, where the price of cattle went down something like $3 a hundred, that the price of the by-products from those same cattle went up about $2 a hundred. I think that is a true statement, and I would like to have some of these gentlemen explain how it happened. Here is a Swift dollar, which shows a percentage of profit which they make on each dollar. It takes a statistician or a certified accountant to figure out how it can be 2.04 cents on the dollar, and

and when he does that he has to disregard the $25,000,000 extra dividends and the $25,000,000 extra issues of stock representing increased values of stocks on hand.

Oh, there are innumerable statements.

Mr. RAINEY. With reference to that advertising, you made the statement they are spending $1,000,000 a month, and have made an appropriation of $8,000,000, and are now going to appropriate $12,000,000 more.

Mr. ANDERSON. I think that is in the record of the Senate hearings of last year as to their program of advertising.

Mr. RAINEY. Will you point it out?

Mr. ANDERSON. Yes; but I can not do it offhand.

Mr. RAINEY. I mean afterwards.

Mr. TINCHER. You are referring to the packers?

Mr. RAINEY. You have that same permission. I do not want to deprive you of any of your prerogatives.

Mr. ANDERSON. I am frank to say I do not carry that possibly 17,000 pages of testimony taken in the last three or four years in my head. I have forgotten a few of the things contained therein that I once knew, but I will undertake to put in the record, if you desire it the testimony taken before the Senate committee with reference to the advertising program of the packers. That was pretty generally gone into, and if my friend had been as diligent in reading that testimony as I have been he would have discovered it.

Mr. RAINEY. I have read it, but I am frank to admit that I never read where they were spending $1,000,000 a month or $8,000,000 a year.

Mr. ANDERSON. I venture to say they will not deny it.

Mr. RAINEY. All right. One other question, and then I am through. You said this investigation was ordered by the President of the United States. Did not the President suggest to the Federal Trade Commission that they should investigate the whole food problem?

Mr. ANDERSON. I do not recall that.

Mr. RAINEY. Or was it just the packers that were to be investigated?

Mr. ANDERSON. The packers were the food problem; that is the answer to that question.

Mr. RAINEY. I thought the producer was interested there as well as the packers and the retailer and the consumer; in other words what I thought——

Mr. ANDERSON (interposing). The only problem the producer has is how to stay in the business while the price he can get from the packer per head is from $20 to $40 a head less than he can raise the stock for; that is his problem, and it is about all the problem he has.

Mr. RAINEY. The whole purpose of the food problem by the President was that in the end the great consuming public would know the facts as to who was responsible, and the way to start that was to begin with the producer and find out if there was anything in his method of producing that might be criticised; and then go to the packer; then go to the retailer; and by investigating all of them a conclusion could be reached that in all likelihood would satisfy everybody. But, as I see it, from this report and from the hearings, the only region the investigation has taken place and the only people it has been directed against is the packers.

Mr. ANDERSON. Let us settle that question by putting the order of the President in the record; that is the easiest way to get out of that.

Mr. LASITER. I would like to state the true situation in regard to this investigation, if the chair will permit me.

Mr. ANDERSON. That is all there is to it.

Mr. LASITER. Let me add this to the record: The Department of Agriculture was ordered by the President to assist the Federal Trade Commission in making this investigation. There was an agreement between the Federal Trade Commission and the Department of Agriculture, that the Department of Agriculture would investigate the costs from the farm to the stockyards; that then the Federal Trade Commission's investigation would cover costs from the stockyards to the consumer. While the producers of the country have been persistent in trying to get the Secretary of Agriculture to make this report, he has as yet refused to make it.

Mr. RAINEY. Did he make the investigation, Mr. Lasiter?

Mr. LASITER. To some extent he did. Just how thorough the investigation was, I am unable to say. I know he investigated parts of the ranch country and did make reports, that is, he returned to me the report I made of the cost. I can submit that to this committee.

Mr. LYMAN (secretary of the National Board of Farm Organizations). I want to corroborate what Mr. Lasiter has said, and say that the farm organizations were very persistent in their desire to secure this information of the costs of production on the farm, and we still are hopeful that that work will be carried out.

Mr. YOUNG. Just a word about this present marketing system through the packers. In Texas, where we produce a great many cattle that go to these cattle-handling institutions, two or three of the Big Five operate in Fort Worth. Have you investigated the condition that would force the Texas cattle grower who fattens his herds for the purpose of consumption, to ship his cattle from south Texas through Fort Worth to St. Louis or Kansas City because he can not get a market at Fort Worth that is satisfactory, although the same packers operating in Fort Worth operate in Kansas City and St. Louis?

Mr. ANDERSON. I do not think you can do that by direct legislation. That suggests a question which has frequently arisen. For instance, it is contended on the part of the packers that they do not object to specific regulations of law with respect to the industry. They object to the regulations of one man or of a commission. But the situation to which you refer is one which I do not think there is any way of regulating by specific authority of law.

Mr. YOUNG. Do you see any reason why in the ordinary commonsense view of the situation it is that Texas producer, with part of the Big Five packers operating in his own State, in many instances only a few miles from where these cattle are fed, ought not to be able to find a market next door that would be satisfactory and save the exorbitant freight haul, the deterioration and shrink in his cattle that he must sustain by shipping entirely across the State to a point 1,000 or 1,500 miles away?

Mr. ANDERSON. Every consideration of economics is unquestionably in favor of the slaughter at a point nearer the point of production. There is no question about that. Mr. Armour testified to that effect, and I think Mr. Chaplin testified to the same effect before the

Senate committee, that there is a saving of something like 25 cents a head or 25 cents a hundred—I do not remember which—for instance, in slaughtering an animal at St. Paul, as against slaughtering him at Chicago, considering the shrinkage and the waste, etc. So that, as I say, every economic consideration in the problem which you have reference to is in favor of the slaughter at the point nearest the point of production.

Mr. YOUNG. That is the problem in my State, and we have to ship our fat cattle to these foreign markets instead of marketing at our own door, when the same concern has packing houses both in our State and in Kansas City and St. Louis.

Mr. VEEDER. Mr. Congressman, do you know to what extent that has been done? As a matter of fact, Fort Worth is a very large slaughtering point, and very considerable quantities of live stock are slaughtered there.

Mr. YOUNG. I can not give you the figures, but I know in my little town we had quite a number of men—some who fattened one carload and some who fattened a solid train of cattle. Those men universally ship their finished stuff to Kansas City or St. Louis, and sometimes to Chicago, because the market at Fort Worth was unsatisfactory. The only class of cattle that they did ship to Fort Worth—and these were men who have had a lifetime experience in the business—were their scrubs from the bunches, but their finished, fine cattle were shipped because of market conditions to those markets; and the result has been, I want to say, that those men have gone out of business and have gone into other industries; and that is within 60 miles of Fort Worth.

Mr. VEEDER. It may be there was not a market in Fort Worth for the particularly fine grade of cattle which they were offering, and therefore they would have to ship them on. But I doubt if that is the case, and I doubt if that is done to any very great extent, because the freight rates would be against that kind of shipment.

Mr. YOUNG. That is the thing we do not understand. We have had to stand those freight rates, to my knowledge.

Mr. VEEDER. Furthermore, there is a very large number of cattle marketed in Fort Worth, and I doubt if the instances you refer to can be numerous or that the number of cattle shipped beyond Fort Worth could have been more than occasional.

Mr. YOUNG. I undertake to say you will find those cattle which are marketed at Fort Worth are grass fed, and that the finished cattle and the oil-mill product universally are shipped to these other markets.

Mr. MCKINLEY. I am a little confused by one statement you made, Mr. Anderson, and that was that it cost $1.73 a head in 1890 and about $11 a head in 1919, and that no one got any advantage out of that difference except the packer. I was wondering if the workingman did not get a benefit from that in the matter of wages?

Mr. ANDERSON. There have been, especially, I think, within the last two years, some increases in the wages of packing-house employees, and they may have received some benefit from it. I do not recall the exact figures, but it is my recollection that according to the test case submitted by Mr. Wells in a hearing before the Senate Committee, the labor cost in the plant was about one-fourth of the plant cost. To what extent the labor cost enters into the cost at the branch houses I do not know.

Mr. WILSON. Along the line of Mr. McKinley's question, your answer has brought forth this idea: Did I understand you to say that the labor cost of the production of this meat product was only about one-fourth?

Mr. ANDERSON. That is my recollection; it was about 33 cents out of $1.20 per 100 pounds of beef in the plant cost.

Mr. WILSON. That is all, but I thought it was greater.

Mr. ANDERSON. I am speaking from recollection. I can verify it.

The CHAIRMAN. Have you a copy of the Attorney General's decree proposed?

Mr. ANDERSON. No; I think the actual decree has not been rendered. The only thing I have is a copy of the statement of the tentative terms of agreement, which was given out by the Attorney General some time ago.

The CHAIRMAN. I read the statement of the Attorney General in the hearings of the Senate sometime, but it did not set out the proposed decree.

Mr. ANDERSON. The decree has not been entered yet, as I understand it. My information was that it was about to be entered, say, within the next two or three days.

The CHAIRMAN. Who will enforce the decree?

Mr. ANDERSON. As I understand it from the statement of the Attorney General, the Attorney General's office would become a sort of an administrative organization for the purpose of carrying out the decree or seeing that it was carried out under the court's order.

The CHAIRMAN. Is he charged with that responsibility?

Mr. ANDERSON. No; and I think it is wholly incompatible with his public functions.

Mr. MCKINLEY. Would it not be helpful to the committee if we could get that information, even if only newspaper information, into the record?

Mr. ANDERSON. I would be very glad to put it in, if the committee desires it. I do not care to have it myself.

Mr. YOUNG. I understood the Attorney General was to testify, at which time we could get a full statement.

Mr. ANDERSON. The newspaper statement is already in the Senate hearings, Mr. Chairman, and unless the committee would like to have it in the hearings so that it could be referred to easily, there would be no advantage in putting it into the hearings of our committee.

The CHAIRMAN. Is it long?

Mr. ANDERSON. It covers about 16 pages.

The CHAIRMAN. That is the proposed decree?

Mr. ANDERSON. That is the outline of the decree.

The CHAIRMAN. By the Attorney General?

Mr. ANDERSON. It is a copy of a statement made by the Attorney General outlining the tentative terms of the decree.

Mr. VOIGT. When was that statement made?

Mr. ANDERSON. That statement was made January 7, 1920, before the Senate Committee on Agriculture and Forestry.

Mr. MCKINLEY. Give us the pages so that we can refer to it.

Mr. ANDERSON. It appears at page 17 of part 4 of the hearings before the Senate Committee on Agriculture and Forestry, on Senate 2199 and Senate 2202.

The CHAIRMAN. Kindly give the page on which the decree appears.

Mr. ANDERSON. It appears at page 17, as I have stated. It is a copy of a press statement given out December 18, 1919. Of course it has not any force, does not mean anything. It is a newspaper statement of what the Attorney General thinks the decree is going to cover. I do not know what the provision is for its enforcement.

The CHAIRMAN. There is no provision for it?

Mr. ANDERSON. There is no provision in the tentative agreement, apparently.

The CHAIRMAN. Have the courts the machinery to enforce it?

Mr. ANDERSON. They have not.

The CHAIRMAN. Unless somebody has the authority to enforce it, would it amount to anything?

Mr. ANDERSON. I agree with that. I think that furnishes one more reason why you should have a commission which can accumulate facts and which can, in a case of that kind, give the public supervision necessary to the carrying out of a decree, if that decree is to mean something more than a paper reorganization of the industry.

The CHAIRMAN. What do you suggest in the way of a commission?

Mr. ANDERSON. I am satisfied, I think, with the commission proposed in the bill reported by the Senate committee consisting of three men.

The CHAIRMAN. Large interests have been under the supervision and control of the Government recently. Have the results been satisfactory?

Mr. ANDERSON. I would not say so.

The CHAIRMAN. The findings of the Federal Trade Commission, it seems to me, charge them with everything that is bad, and much of it occurred under Government control. How do you expect to overcome the difficulty incident to Government control?

Mr. ANDERSON. The agencies set up for the regulation of the packing industry and the live stock markets to which you refer were emergency organizations. In my judgment, their purposes were rather those of securing maximum production than the regulation of the industry or of the practices in the industry. The men who were for the most part selected to make the regulation were men who were unquestionably well informed about the industry, but who apparently thought under the circumstances that the desirable thing was stability of the industry and production, and they regulated it from that standpoint rather than from the standpoint of the producer or the standpoint of the general public. I mean by that that the main purpose of these so-called regulatory commissions, under the Food Administration, were designed to make the divisions of the industry function as a whole for the purpose of getting a maximum reduction. They did not have anything in mind, I take it, primarily, from the regulation point of view.

The CHAIRMAN. If an honest administration of the law during war time did not produce satisfactory results how can we expect more under normal conditions?

Mr. ANDERSON. I think there is always more inefficiency in the Government functions during the period of war as compared with normal times.

The CHAIRMAN. You know what took place in the sale of meat, for instance, during the war?

Mr. LEE. That was in the Spanish War, was it not?

The CHAIRMAN. I am referring to the recent war.

Mr. ANDERSON. I do not know what the chairman is referring to, but I will say this, that if we are going to have the same kind of regulation under this bill or under any bill of the packing industry or any other industry that we had during the war, I prefer the present conditions.

Mr. WILSON. Mr. Anderson, do you think it would be a good idea to regulate other large industries the same as you propose to regulate the packing industry?

Mr. ANDERSON. I could not answer that question without more detailed knowledge of those industries than I have, but it seems to me that the packing industry has a different relation to the general public than any other industry.

Mr. WILSON. The milling industry, for example.

Mr. ANDERSON. I can not pass on the milling industry, but there have been times when I have thought a little public supervision of the milling industry would not have been a bad thing.

Mr. WILSON. And the steel industry, I suppose, too?

Mr. ANDERSON. I do not know as to the steel industry.

Mr. WILSON. Is it an industry that might be regulated?

Mr. ANDERSON. Possibly some public supervision of phases of that industry would be desirable. I would not advocate it without more adequate knowledge.

Mr. TINCHER. As I understand it, if any man or set of men have set up a monopoly of the milling industry or the steel industry, such as the five big packers have in the meat industry, you would advocate government supervision of their business, in the interest of humanity and the common public.

Mr. ANDERSON. I think the gentleman has stated it very well.

Mr. TINCHER. That is the way it appears to me.

Mr. WILSON. In other words, you would put the Government into business?

Mr. ANDERSON. Not at all.

Mr. TINCHER. If the Government does not control monopoly, who would?

Mr. ANDERSON. The difference between that war-time status and present status is that during the war the Government itself was an enormous purchaser of foodstuffs and everything else. I have heard it said—I do not know whether it is true or not—but I think the claim was made by one of the committees that investigated it that the Government at the time of the armistice had either in its possession or under contract about 40 per cent of the food supply of the country.

Is there anything further, Mr. Chairman?

The CHAIRMAN. I want to call your attention to what took place under the Food Administration—under Government control. The Federal Trade Commission, answering directly the question of the President as to whether or not there exist "monopolies, controls, trusts, combinations, conspiracies, or other restraints of trade out of harmony with the law and the public interests," report:

> We have found conclusive evidence that warrants an unqualified affirmative.

And further:

> It appears that the five great packing concerns of the country—Swift, Armour, Morris, Cudahy, and Wilson—have attained such a dominant position that they control at will the market in which they buy their supplies, the market in which they sell their products, and hold the fortunes of their competitors in their hands. (Summary, pp. 23-24.)

That was part of the time under Government control. How are we to improve upon those conditions? We have tried Government control. There ought to be some way to overcome the difficulties.

Mr. ANDERSON. I have tried to point out that the Government control which was exercised during the war was an entirely different species of control for other purposes than that proposed here.

Mr. YOUNG. Let me interject right there—as a matter of fact a lot of these big packers helped to control themselves under the Food Administration?

Mr. ANDERSON. That assertion has been made, and I think it is true.

Mr. YOUNG. And the whole thing was for the purpose of getting food for our soldiers. But what we are insisting on in this investigation is to get out from under packer control and have absolute Government supervision.

Mr. WILSON. Mr. Anderson, let me make the suggestion here that a complete change of administration might have the desired effect.

Mr. ANDERSON. I candidly agree that a change of administration would be desirable from that point of view, as well as from many others.

The CHAIRMAN. I might add more from the Federal Trade Commission's report in regard to profiteering:

On June 29, 1918, the Federal Trade Commission, in response to Senate resolution of June 10, 1918, transmitted a report (Doc. 248, 65th Cong., 2d sess.) containing facts, figures, data, and information then in possession of the commission relative to profiteering. On page 7 it shows that—

"Five meat packers—Armour, Swift, Morris, Wilson, and Cudahy—and their subsidiary and affiliated companies have monoplistic control of the meat industry and are reaching for like domination in other products. Their manipulations of the market embrace every device that is useful to them without regard to law. Their reward, expressed in terms of profit, reveals that four of these concerns have pocketed in 1915, 1916, and 1917 $140,000,000. However delicate a definition is framed for 'profiteering,' these packers have preyed upon the people unconscionably. They are soon to come under further governmental regulation approved by Executive order."

On page 14 it states that—

"Of the astounding figure of $140,000,000, $121,000,000 represents excess over their prewar profit, and that the profit taken by Morris & Co. for the fiscal year ending November 1, 1917, is equal to 263.7 per cent on its $3,000,000 outstanding capital stock."

What have you to say about that?

Mr. ANDERSON. I think there was no Government control in 1915 and 1916.

The CHAIRMAN. There was after that, however.

Mr. ANDERSON. There was in 1917.

The CHAIRMAN. Yes; in 1917. I understand that they did as well after that.

Mr. ANDERSON. They did better in 1917 than they had ever done before, beyond all doubt.

The CHAIRMAN. You suggest a commission as proposed in the Senate bill?

Mr. ANDERSON. Yes; I think that is the way to get at it.

The CHAIRMAN. We will hear Mr. Colver next. It is now 3.50 o'clock.

STATEMENT OF HON. WILLIAM B. COLVER, MEMBER OF THE FEDERAL TRADE COMMISSION, WASHINGTON, D. C.

Mr. COLVER. Mr. Chairman and gentlemen of the committee, as I understand it it is not your purpose at this hearing to go into the matters that have been reported upon and been the subject of long hearings, many hearings, both before House and Senate committees. I was not present this morning but I understand that those hearings I have referred to are a part of this hearing by reference, and the reports that have been made are a part of these proceedings by reference. That being so there is very little for me to add.

I did not come here as an advocate of any bill or an advocate of any legislation. I came here from the Federal Trade Commission bringing the report which the President and the Congress ordered to be prepared for you.

When the examination was first ordered the Federal Trade Commission was directed to examine the whole subject of production, preparation, and distribution of food and its bearing on the cost of living, and to ascertain whether or not there were any controls or conspiracies or artificial impediments in the flow of food from the point of production to the point of consumption.

The examination and inquiry of the commission did cover a great deal broader ground than the packing industry. The other branches of the work were concluded first because they were simpler, because they were less complex in subject matter, and because less obstruction and difficulty were not within their examination.

An examination was made of breadstuffs, the milling and marketing of flour, and a volume was printed thereon. An examination was made with relation to canned vegetables and fruits, and a volume was printed about them. An examination was made with respect to canned fish, and a volume was printed on that subject. An examination was made with respect to cold storage. An examination was made with respect to refrigerator cars and the influence that they have not alone on meat but on all food products which move in that sort of vehicle. An examination was made with respect to the marketing of foods.

At the time that the inquiry of the commission was authorized by the Congress the Congress specifically authorized, and by making an appropriation of course directed, that the Department of Agriculture and the Federal Trade Commission should work together. They did so.

Mr. WILSON. May I interrupt you?

Mr. COLVER. Certainly.

Mr. WILSON. Can you tell this committee about how much money you expended in making all these examinations?

Mr. COLVER. Yes, sir.

Mr. WILSON. Will you kindly state it?

Mr. COLVER. I think I would have reached that point in about the next sentence.

Mr. WILSON. All right. I would like to have that information.

Mr. COLVER. The Congress appropriated for the Department of Agriculture for this purpose $50,000. It appropriated to the Federal Trade Commission $250,000. The Department of Agriculture and the Federal Trade Commission then met and divided the work be-

tween them. The Department of Agriculture was to investigate with particular reference to the food animals and breadstuffs from point of production on the farm to, in the case of the food animal, the stockyards; and in the case of breadstuffs to the elevator. Then the Federal Trade Commission took the products from those points and carried the investigation along the line of distribution as far as the retailer but not through the retailer's hands.

There has been in the hands of the printer for some time the report prepared by the Department of Agriculture on their end of this work. The report is in three parts, all, however, in one volume.

There has been so little complaint about the other volumes and the other parts of this subject that have been examined by the Federal Trade Commission that nobody knows, hardly, that such examinations were made, and yet they were carried forward, prepared, and made public in the same manner that this meat report was. They have been useful in the public service I think, and I think this has.

There is one fundamental objection—well, I would not call it fundamental but I would call it elementary objection—to the report of the Federal Trade Commission as made with respect to the meat packers. I do not come before you to defend the report; I do not think it needs any defense, but I come to state the facts. There is one principal objection that is made, and that is, that the report was made in a spirit of unfairness and persecution. That is proven or sought to be proven by the naked allegation that the commission suppressed some things and published others. Now, that is the whole case against this report. And this report as I understand it by reference is before you now for your consideration. To repeat, they are the two things alleged against the report. They claim that it was conceived unfairly, carried forward unfairly, and that the unfairness is proven by the fact that some things were suppressed while other things were published.

Mr. WILSON. Going back——

Mr. YOUNG (interposing). Mr. Chairman, I insist on the rule we have adopted that a witness will not be interrupted until he has made his principal statement be observed here.

Mr. WILSON. I just want a little information.

Mr. YOUNG. I insist on the rule being enforced.

Mr. WILSON. I do not care about that. I merely wanted to ask one more question along the line I asked Mr. Colver before.

Mr. YOUNG. I think we will get along better if we follow the rule.

Mr. COLVER. Perhaps I was not responsive to Mr. Wilson's question.

Mr. WILSON. No; you were not.

Mr. COLVER. Of the $50,000 appropriated by the Congress for the Department of Agriculture I can not say how much was expended. Of the $250,000 appropriated by the Congress for the Federal Trade Commission to carry on this investigation with respect to the meat-packing industry and other industries—I mean the other industries I have been talking about—it was all expended.

Mr. WILSON. Any more?

Mr. COLVER. I think so.

Mr. WILSON. How much?

Mr. COLVER. I can not say.

Mr. WILSON. Where did you get the additional money?

Mr. COLVER. It was taken in in overhead operations of the commission in this way: The collecting of information is a thing that can be directly book kept, and was. The digesting of the mass of information that comes in is a sort of operation that is not so easily book kept. That is to say, the commission has a permanent staff, and that part of the work that was incomplete at the exhaustion of the special appropriation for the purpose was, as in many other cases, absorbed into the regular work of the commission, and the regular staff of the commission devoted such time to it as it was possible to spare from other work and devote to it.

Mr. WILSON. Just to get away from this subject at this time, let me ask: Would you place in the record the total expense that your commission has been to in making this entire investigation?

Mr. COLVER. I will try to do so.

Mr. WILSON. If you please.

The CHAIRMAN. You may proceed with your statement, Mr. Colver.

Mr. COLVER. As I was stating, the basic objection to this report is that it is unfair; and the sole proof, or, rather, the sole allegation, of this unfairness rests in the statement that the commission suppressed some things and published others. I think that is completely aswered by the fact that you have had hearing after hearing by this committee and by the Committee on Agriculture and Forestry of the Senate, and as far back as in February, 1919, Senator Norris said:

> This committee will sit here all summer to give to the packers an opportunity to put in anything they claim the Federal Trade Commission left out.

That is an invitation I heard repeated over and over and over again. I think I have heard it in this committee, and I know that I have heard it repeatedly in the Senate Committee on Agriculture and Forestry. And the things have not been forthcoming.

Now, gentlemen of the committee, if there has been anything left out, and if that is the basis of their objection, I want to say that there has been ample opportunity to put it in; and I am sure that this committee in its windup of the whole matter will afford ample opportunity to fill in those mysterious things that the Federal Trade Commission is alleged to have suppressed.

Speaking for myself and my colleagues, I know that we undertook this investigation without any desire on our part to do anything but get the facts, without any partisanship on our part, and I come out of it without partisanship and without the slightest feeling on the subject. We were sent to get the facts which would cover this situation, and to the very best of our ability and the means and the men at our command we have done it. That is all there is to that.

Now, Mr. Chairman and gentlemen of the committee, it is a difficult thing to know just what lines to take up, inasmuch as you do not want your record filled, and I think very properly, with those matters which have been gone over so thoroughly before. Briefly, just to summarize, the commission felt, and reported that it had found, in the first place, that there was a division of purchases, an agreement for a division of purchases of the raw material, of the live animals, which resulted in all respects and had the effect of restraint of trade; that it was an artificial interference with the growth of the industry, an artificial interference with the erection and operation of plants for the preparation of flesh food for the public in any part of the country where the production of food animals and a reasonable

market seemed to meet. The commission had felt and had stated that that is not in the public interest; that that is not a good thing

Making the general statement more specific, if you want it, this is true: That at those live-stock yards which are not largely in the control of one or more of the five large packing concerns there exist the larger independent packers of the country, and at such places the independent packer has the best chance, whatever chance he has, of surviving.

Going back over a period of 10 years we find that the number of independent packing concerns engaged in interstate business has decreased at the rate of about one every three months; that during that time a great many ventured into the business, but disappeared; and that the total number of independents has been reduced, on the average, one every 90 days. We find also that beginning back 10 years ago, in the 10 years from January, 1910, when there were 280 independent packing concerns, there have survived up to the present time, or up to 1919, only 140 of them; that although new ones have come in during that time, so that the net increase has not been as great, yet only 140 independent concerns have survived out of 280.

The commission found that the business of independent meat packing, and especially of beef animals, is extra hazardous, as is shown by the mortality statistics of the independent.

I have not that number. The total number was 280 in January, 1910, and it has been reduced to 237 in January, 1919, but of the 280 only 140 had lived through the period.

Mr. WILSON. Right there, with your consent, I would like to ask a question.

Mr. COLVER. Surely.

Mr. WILSON. Do you contend that their going out of business was due to the practices of the other concerns, competition, etc.; is that the cause of their going out of business, of those who did go out of business?

Mr. COLVER. Yes, sir; I think so.

Mr. WILSON. To the undue practices, do you think?

Mr. COLVER. Yes.

Mr. WILSON. In your investigation you found that to be the case, did you?

Mr. COLVER. Yes; I think so.

Mr. WILSON. All right; I wanted to get your idea of the matter.

The CHAIRMAN. You may proceed with your statement.

Mr. COLVER. Perhaps the thing to direct the committee's attention to is to suggest, as you no doubt are familiar with it, that you once more look over the table which is to be found at page 50, part 2, of the Federal Trade Commission's report, and the very brief analysis which goes with that table, beginning at the bottom of page 50 and running down through the first paragraph of page 51, which means only two short paragraphs to read, and the very simple chart accompanying it. To begin with this chart is not denied at all. It is not claimed that there is anything printed here that is improper. It is not claimed that anything is left out of this chart. It is not charged, as far as I know, that this chart is conceived in any spirit of unfairness or in any spirit of persecution; the only thing that is said is that this chart proves keen competition, whereas the commission thinks that it shows close combination. The chart in brief

is a chart showing the purchases by these five packers at the principal live-stock markets of the country, by weeks, for the year 1916.

And, by the way, there is some reference made to whether or not this examination of the commission covered an abnormal period, for the reason that it was a war year and a year, for that reason, when this industry was under Government regulation. As a matter of fact, the period covered by this investigation terminated approximately in January, 1918, and the Lever bill became a law August 23, 1917, I think, and the Food Administration was created shortly thereafter, but the regulation and control, such as there was, of the meat-packing industry did not become anywhere near crystalized, worked out, until November, so that from November to November was counted as the year in the Food Administration with respect to the meat-packing industry.

Now, then, that left 11 months of the period out of the 12 months for the last year of the commission's examination not under any Government regulation at all, and the examination of the commission went back behind that time clear back to 1890. So that there is very little of a factor of Government regulation to be found in the facts collected and laid before you in this report.

That explains, perhaps, why we went back to 1916 for these cattle-purchase figures—for the reason that we were working in 1917, and 1916 was the first complete year we had at hand.

These two tables to which I have referred show their purchases of cattle at the principal live-stock markets of the country. In some of these live-stock markets, one of these, the five larger packing concerns purchase cattle. In others two of them purchase cattle. In others a different two would purchase cattle. In some of the live-stock markets three purchase cattle. In some of them four purchase cattle. In some of them five purchase cattle, and in all of the varying conditions you can get all of the purchasing done—by ones, twos, threes, fours, fives. The figures of purchases of cattle at all these markets, purchased in varying combinations by these five concerns, by weeks, are shown in this table.

Before I attempt to say anything more about the table let us dispose of or examine the theory of plant capacity which was first advanced as an explanation in place of keen competition. Keen competition is now the explanation of this table. That was not the original explanation; the original explanation was plant capacity. That is, it was said that there was nothing peculiar about the fact that the proportion of purchases of these five concerns should persist about the same, for the simple reason that their plants had about a certain capacity and that naturally they worked up to the capacity. That was advanced, as I remember it, as their first answer, and as a complete one. But when it was pointed out that in the second week of April their total purchases at all the markets was 62,006 head of animals, and that the third week in November there were 190,686 head of cattle purchased, the theory of plant capacity somewhat shriveled, because in the presence of keen competition, and plant capacity remaining the same, we would find that the total plant capacity must have been such as to be able to absorb 190,686 head of cattle in one week, then in a week when only 62,006 animals came to them, plant capacity could not possibly operate as determining how much or how little any one concern should buy.

Now, taking this year 1916, their purchases of cattle at all markets, and finding that the range fluctuates from 62,000 one week to 190,000 another week, with very violent fluctuations in between, and taking each of the five concerns—and I am looking now at the chart opposite page 50 in part 2 of the Federal Trade Commission's report, and I am taking the purchases of some of these five concerns separately each week—we find a very sharp and constant fluctuation. But if the first week's purchases are added to the second week's purchases to get the cumulative percentage, and to that the third week's purchases are added, and so on, so as to get each week the percentage for the "year to date," you have an accumulated average line right through; and we find that in the year at all of the markets these five concerns buying in different combinations produces a result which makes the fluctuation in the line of their percentage of purchases less than 1 per cent. In other words, there is less than 1 per cent of variation. And we find that the week of the least shipment, the second week in April, produced no tremor in any one of the five lines; there is not a wiggle. We find in the figures for the 190,686 week there is not a mark or dent made in any one of these lines. So clearly it is not a matter of plant capacity. And the commission thinks it is not a coincidence.

The significance of that is this: If the industry proceeds on the manufacture of raw material, and if the raw material is available to a group of five competitors on a predetermined, or whether predetermined or not, upon a basis that gives a fixed percentage each to the other and each one to the whole, to the total number, then neither competition nor any other subsequent operation can vary it to any great extent.

As an illustration: If you had five brickyards, and when one concern made between 34,000,000 and 35,000,000 bricks, while another concern was making about 28,000,000, and another one between 17,000,000 and 18,000,000 bricks, and another one between 10,000,000 and 11,000,000 bricks, and another one about 9,000,000 bricks, and if through these years, 5, 10, 15, or 20 years as the case may be, the manufacture of bricks by those five concerns continued to be maintained about on that average, why, then, you would not find any very fierce competition in the disposition of those bricks if they are finding a constant market. That is the significance of that table—the control of the proportion of the supply of raw material existing, the rest of the process will take care of itself.

The commission suggested in the beginning, without suggesting anything about the form which your remedy should take—that is, what mechanism you should provide did not seem to be the commission's business—but it did suggest that there were certain things in aid of a freer operation, competition, distribution, purchase, and sale of meat and meat products and meat animals, but the commission did not then feel called upon and does not now feel called upon to suggest any machinery or any form which your legislation should take.

With respect to the unlawful combination which I refer to or what appears to the commission as being combinations and which combinations are said to be unlawful, and they define themselves; with respect to the facts which underlie part 2 of our report from which I have been quoting and which centers around this chart very largely,

that volume being entitled "Evidence of Combination amongst the Packers," that volume, the chart, and supporting data which lay back of it was all turned over to the Department of Justice, not being the subject of legislation but being a question of whether or not existing laws had been violated.

With respect to the other things, suggested remedies, that was a matter for legislation and those things were brought more particularly to the attention of the Congress.

It seemed to the commission, and we gave it to the Congress only as our opinion, that to a very great extent the unfair advantage that made possible such combination as had been referred to the Department of Justice, was the control, or privilege, or advantage in transportation. And for that reason, while the report covers many things, in an effort to simplify the proposition in this case as in the case of the breach of existing law, it was attempted to focus it down to one simple thing and then lead up from that. So, too, in the suggestions with respect to legislation, corrective legislation, or curative legislation, the commission pointed out more particularly the control of and the advantage in that control of special equipment cars.

Now, gentlemen of the committee, it is asked whether or not if a concern has provided itself with special equipment cars, those cars should be accessible to their competitors? The question was asked more directly here with respect to oil-tank cars. That has been answered once at least in the oil industry by requiring that the pipe lines be divorced from the oil-producing and oil-refining companies. In this connection this is the fact: The commission has said and says to-day that the special type car is a proper part of the equipment of the common carrier. The development of the refrigerator car was a very great achievement, a very great public service on the part of the packers, of the packing concerns. There is no question about that. But if there is a commodity which requires a special type of car, and in a large majority or a preponderating percentage of that commodity, the shipment of it is controlled by so few as five shippers, and if those five shippers are not dependent upon common carriers for the special type car but have their own, then the impulse of the common carrier naturally is not to provide the special-type car for the minority interest of shippers, which are then left out. The commission suggested no invasion of private rights at all, but did suggest that the growing up of private ownership of the special type of car had operated, and it is a fact, to prevent the railroads, no doubt in the exercise of good business judgment on their part, from providing for themselves and their other shippers an adequate supply of these special-type cars.

Since the railroad car of a general or even a special type is a necessary part of the common carrier's equipment it seemed reasonable to suggest that all such cars, or that a sufficient number of such cars, be provided by the common carriers for the use of all shippers, including these five greater shippers. Then everybody will have an even chance, and one of the great disadvantages of the business would be disposed of and without injury.

Again, the commission in its examination of this question finally focused your attention, or sought to do so, on the advantage that comes out of the ownership of the stockyard, which is the storage place and the market house of the live animal. The live animal in a

railroad car is a piece of freight, and with respect to other freight it is the common custom and the necessary function of the transportation company to provide a reasonable and proper place for the storage of freight at destination and at point of shipment as well. There is nothing unusual at all about that. If freight is shipped that must be kept under cover freight houses are provided for it. If freight is shipped that does not require covering yards are provided for its storage. So that the suggestion of the commission was only and simply that the transportation companies of right should provide the necessary freight houses, which in this case is to say stockyards, for the receiving and handling of this very great bulk of freight which travels over their lines. They supply freight house facilities and storage capacity for other freight. Why not for this? And especially when it is found that the control and ownership of these yards in the hands of very powerful and very great packing concerns works to the detriment of smaller competitive concerns.

This committee focused its attention on the general subject of stockyards once before, and the Federal Trade Commission pointed out then this situation, to which I call your attention to-day again; to the methods, means, and reasons laying behind the ownership and method of ownership and concealed ownership of the greatest stockyard of all, the Union Stockyards at Chicago. If you will look back at your former hearings you will find on pages 774–775 that Mr. Armour at that time agreed with this committee that he would furnish this committee with a statement concerning the Union Stockyards & Transit Co., a New Jersey company, and also a Maine company, covering in detail the amounts of the stocks of these companies, the officers of the corporations, the ownership of stocks, the present stockholders, and why bearer warrants were issued in some instances instead of capital stock. Now, gentlemen of the committee, there is information that the Federal Trade Commission did not suppress. There is information that has been promised to this committee distinctly a long time ago, but which has not been furnished.

Mr. CANDLER. When was that?

Mr. COLVER. I can not give you the date offhand. Oh, I find I am mistaken; that it was before the Interstate Commerce Committee of the House, and this occurred in January, 1919.

Mr. CANDLER. I did not remember that we had ever asked for that information.

Mr. COLVER. No; I find I was mistaken. When this matter was up in the House before it came up before the Interstate Commerce Committee, and I had it confused with this committee.

Well, in any event, the subject has come over here, and I suppose the answer itself will come here as it has not gone there.

Mr. YOUNG. And no answer has ever been given to that?

Mr. COLVER. No; and it was asked for specifically by the Committee on Agriculture and Forestry of the Senate, and they did not get an answer over there. An answer to that question will answer a great many questions here.

The CHAIRMAN. You may proceed with your statement, Mr. Colver.

Mr. COLVER. Summed up, perhaps the commission's suggestions may be crystallized something like this:

(1) With a view to a healthy growth and geographical distribution of the meat-packing industry it would be in the public interest

if the five largest concerns did not control the advantage of special car equipment to a point that it ceases to be attractive to the common carriers, the railroads, to provide sufficiently that equipment and create sufficient fast routes for the use of the equipment to take care of the independents.

(2) It will be in the public interest if the dominant concerns do not go beyond packing interests and integrate with it the market places; that is, the stockyards. And there again, providing stockyards seems to be a reasonable transportation function in that connection as it is in everything else.

(3) That the public interest is not served but the contrary by combination in so big an industry as meat-packing and unrelated or competing food commodities.

There the commission points out, and has done so before other committees of the House and the Senate, this fact not recognized in the law nor by the courts as yet, although we think it deserves most careful attention and thought: That there is competition between commodities quite as much as there is competition between dealers in or manufacturers of the same commodity; that there is as much or even more possibility for control or monopoly by the combining of competing commodities as there is by the combining of competitors in the sale or production of the same commodity. We have tried to focus your attention on that; and if your examination and the examination of other committees of the Congress commend that to your view you will undoubtedly meet it with legislation which will recognize a fact now unrecognized in the law or by the courts; and recognize it, I think, in the public interest and without injury to private rights.

This is certain, and I speak very earnestly for myself and for my colleagues in the commission—I seldom speak for them but speak for myself, but on this I can speak for us all. There is not now and never has been in the work that we have done at your direction and for your use the slightest feeling of repugnance to size of business, none whatever. And as little emphasis as possible has been directed to profits. We have tried as far as possible to approach this subject not from the standpoint of profits, and for the very good reason that immediately we come to the question of profits there comes a discussion and an honest difference of opinion as to whether or not efficiency or monopoly produced larger profits. We have tried to leave that out as much as possible and still do our duty and report. But we have tried to consider this whole subject, and think we have considered it not with respect to the size of the concern, not with respect to the profits made by these concerns, but with respect to the tendencies and forces that are set in motion by the policies adopted and insisted on by these five concerns. We think that the tendency is toward monopoly. We think that the tendency is toward monopoly not only in meat but in the food of the country. We find them already the largest dealers in dairy products. We find them making very rapid strides in substitutes for dairy products, and they are dominant in the butter substitutes and are largely in the lard substitutes.

Now, in the public interest if it is possible to have a butter or a lard made out of animal fats, an animal product; and then if it is

possible to have a substitute for the lard and a substitute for the butter made largely or wholly out of vegetable material, those two things as competitors, one a substitute for the other, should in the public interest have a corrective influence each on the price of the other. But put them in combination, put them in a single hand or community of interest, and then competition is lost. If we can not choose whether we will have oleomargerine or butter—that is, as to price—and if we must take it from the same hands or from the same concern, the advantage of having the substitute article is lost by not having competition between them.

We find that these same concerns have made very rapid advance in the canning of fish and the sale of fresh fish as a substitute for meat. If there is provided by a wise Providence a choice, an alternative as to whether we shall eat meat or fish, that is in the public interest in the way of competition. They operate on each other to regulate each other's price. Put them in one hand and it means monopoly, and on monopoly usually rests undue prices, unfair prices. We have attracted your attention to that in the work that we have done here.

I have tried to leave out of consideration here to-day as much as possible any of the narrower questions. I have tried to go over this thing very hastily and without preparation. This mass of material which I have before me is not of my preparation and I have not had the time to read it. I have tried here to go over the principal points, which in your hearings we suggest that you keep in mind. If at any time during your hearings the commission or any of its commissioners or any of its staff can be of service to you in pointing your attention to anything that seems to be a conflict of opinion or facts, or statements of fact here, we will be glad at any time to respond to your call. If there is anything we can prepare by way of digest for the committee or for any member of the committee on any particular topic we will be glad to do that. If we can help you in any way by an analysis of things, or by reference to pages, or by stating any particular subject we will be glad to do that. And if so, we will always be glad in this instance as in all other instances to serve the Congress, our creator, and when called upon we will serve you to the best of our ability, and I think I may say with confidence that we will serve you without prejudice and without the slightest feeling on this subject.

I think that is all I have to say unless some one wishes to ask some questions.

The CHAIRMAN. I believe that the committee would like to have some suggestions from the commission as to the consent decree about to be entered. That has been mentioned. Have you any opinion or suggestion to offer on it?

Mr. COLVER. Well, Mr. Chairman, I have tried to indicate what the commission had to say, without repeating a lot of matter that is already in the records and hearings which I understand have been made a part of your hearing by reference.

The CHAIRMAN. The Federal Trade Commission has found certain facts to exist and has I believe made a number of recommendations. In view of the proposed consent decree which is now about to be entered has the commission changed its recommendations as to what should be done?

Mr. COLVER. I tried to cover the general ground when I directed your attention to various outstanding things, or what appeared to the commission as being the outstanding things in connection with this subject. I do not think that the commission has ever assumed to indicate the machinery by which you should meet any of these conditions. At the same time we do think that the transportation of live stock and of fresh meats is a railroad problem and not a packer problem. We think that the stockyards matter is a railroad problem and not a packer problem. We think that the purveying of food other than meats and the products of the packing house are generally a producing, manufacturing, and merchandising problem and not a packer problem.

The CHAIRMAN. I infer from your report that you believe there are other foods that should be dealt with in this divorcing process. In other words, does divorcing the packers from the ownership and control of private cars, stockyards, and a few of these other things go as far as is suggested in your report? What you have to recommend at this time?

Mr. COLVER. If I read the work of the commission correctly, and that of my fellow members and the staff that have worked here, it is that remedies in the matter of these questions can be arrived at by an application to the greater outstanding fundamental things, more in the public interest I mean, than in an effort to go into detail. There are many things that might be criticized. I might sit here this afternoon and call up a lot of things out of the reports and out of the data that would be perhaps somewhat scandalous. But I think that those things, I think that many of the minor abuses will fall when the tap root is cut. I think that the tap root is really a question of principles.

Legislation proposed in the Senate and in the House has suggested constant supervision by a commission; I think by a commission of three or five members. I think that this industry is big enough, I think it is important enough for the public to be benefited by a reasonable, intelligent, and patient supervision or contact on the part of the public.

Twelve years ago or thereabouts it was said in the Congress, in the House and in the Senate, that the meat-packing industry, the preparation of flesh food for the people of this country, was of sufficient importance as to be a proper subject for Federal inspection, sanitary inspection, a scientific inspection for the detection of diseased meat. I say, when that was suggested a furor was raised. If you will go back to the debates of that time, and go back to the hearings before the committees held at that time, you will find that the furor raised against such a thing was almost frantic. And yet after 12 years, after that inspection has been in operation for that period—and it has not been a burden—I do not think anybody would want to go back to the period of noninspection and all that sort of thing.

We are bringing to you no suggestion that is any more revolutionary than that. Of course it is perfectly easy to combat the suggestion of constant and closer contact with the operations of concerns engaged in this, one of the most vital businesses to the health and well-being of the country, the largest single industry in point of turnover in the country. It is enough to say that such contact as that is interference with private business, is unwarranted, that it spells ruin and disaster—especially to the producer, as is sometimes said

for some peculiar reason, though I do not know what that reason is—but I do not think that necessarily follows.

The banks of the country are under much the same sort of supervision, it being held by the Congress in its wisdom that the stewards of the public money may properly and must properly be under, not Government ownership, not Government management, but simple contact, and sane, sensible, and reasonable contact at that.

That is all that has been suggested here as I see it by either the bills that are before this committee or any other of the bills that I have seen. Of course when the Federal Trade Commission first began to make its reports it was published from ocean to ocean and from the Hudson Bay to Terra del Fuego that the commission was advocating Government ownership of slaughterhouses; and with that as a premise the reasoning of the Federal Trade Commission was immediately and wholly demolished. It was rather difficult to meet by explanation that sort of thing. We had never said that. We have never said it. We do not say it now. We do not recommend it, either directly or indirectly, in any way, shape, or form.

Now, gentlemen of the committee, a year ago when these hearings were going on on this same subject these same gentlemen who are now saying you do not need any legislation were saying then that nothing had been done of guilt. Yet in that year they have expressed their willingness, as I understand it, to go into court and subject themselves to a consent decree. I have not seen the decree, but from the synopsis of it that was made public it would appear to me that all the control, and far more, which was suggested in the legislation, has been written into that decree. It is also said by these gentlemen that the decree goes far beyond the law. Well, let us take out of that sentence the word "far" and let it read, goes beyond the law. We do not want in this country, in my opinion, legislation by consent decrees. If legislation is necessary and useful in the public interest I take it that the House and Senate will attend to the matter, and will not let us legislate by consent decrees.

You ask if the decree is good or bad? If the decree is good and it has had to go beyond the law in order to be good it would seem to indicate that the law better catch up to the decree. If the decree is not good, why, then, we better have such a state of laws as will make bad decrees impossible, consent or otherwise.

In any event, it seems to me that the very acceptance of this decree which assents to all the things that were pointed out, each one of them pointed out by the Federal Trade Commission, and it assents to every one of them as I understand by the synopsis that has been given out, to everyone of those suggestions in one form or another, and some in much more detail and in much more severe form than suggested by the commission; I understand this has all been written into the consent decree, which is to be perpetual, it is said, and always open. One of the objections that has been urged constantly to any suggested legislation along this line is that it is class legislation. Now, the consent decree applies only to five in the class, so if the objection to class legislation was good, why, then, the application of a perpetual decree, perpetual restraint, amounts really to a perpetual receivership, or perpetual custody at least by the agent of the court; and to apply it to only five concerns in the great industry does not seem to me to meet the situation. What is there to prevent there being another five?

The CHAIRMAN. Is that what happened in 1903, after the decree of May 26 of that year?

Mr. COLVER. I think it was entered at least.

The CHAIRMAN. Was one combination dissolved and others formed?

Mr. COLVER. Yes; the mechanism was carried forward, I think, at all times without change and without interruption.

The CHAIRMAN. What may we expect to come out of this decree?

Mr. COLVER. Well, I think decrees are 10 per cent decree and 90 per cent execution or administration.

The CHAIRMAN. Without execution the decree would not amount to anything, just as a law without enforcement will not amount to anything.

Is the trouble with the decree the fact that there has not been machinery provided to enforce it?

Mr. COLVER. I heard that suggestion made by the chairman a few minutes ago when Mr. Anderson was talking, and that was the first time that it had been brought to my notice. Certainly that is very interesting and significant.

Mr. CANDLER. If it is shown to be necessary to secure funds the Congress can authorize the expenditure of funds to enforcc the decree.

Mr. TINCHER. Yes; and I suppose we would have to appropriate $500,000 to enforce the judgment in the case of so-and-so, number so-and-so?

Mr. CANDLER. No; we can give it generally to the Department of Justice for the enforcement of the law.

The CHAIRMAN. If it is to be given to the Department of Justice it ought to be given right on the start.

Mr. CANDLER. Of course, the decree has not been entered as yet, but if when entered it is necessary to have funds to enforce it, certainly the Congress should furnish the funds.

The CHAIRMAN. Mr. Colver, what is your understanding of the proposed consent decree soon to be entered? Are we to understand that under that decree the packers have admitted the things charged by the commission, that they are to be given two years more in which to continue the evil practices, whether admitted in the past to be good or bad; that after the two years they shall dissolve, and after that confine their activities to certain things?

Mr. COLVER. Well, of course, we must not say they have admitted they are doing all these things the Federal Trade Commission has said they are doing. What they have said is that they are not doing them but that they agree to quit.

The CHAIRMAN. It is at least alleged by the commission that they have done the things. If true, are they now to be given two years more in which to do as they have done in the past? If they are guilty of the things charged, instead of being sent to the penitentiary, are they to be given two years extension of time in which to operate as in the past? Is that your idea? Do you understand that they are given a two years' extension of time?

Mr. COLVER. Two years to bring about——

The CHAIRMAN (interposing). Two years more to do as they have been doing in the past?

Mr. COLVER. I do not understand that consent decree exactly I am not familiar with it. I have rather waited to read the decree itself and did not want the two things mixed up in my mind.

The CHAIRMAN. There has been so much said about the decree that I am curious to know what is in it. I have read the testimony given by the Attorney General before the Committee on Agriculture and Forestry of the Senate.

Mr. COLVER. I do not pretend to know much about that. Certainly I have no judgment on it, except the general judgment I expressed that if it is an argument for anything it is an argument for the need of legislation. If they have consented to a decree that goes beyond the law then the law should catch up with it. If you were to consent to a decree that goes beyond the law and applies to you and not to your competitor that is not fair, is not right, it is not a good thing to have, Mr. Chairman.

The CHAIRMAN. Have you any suggestions as to divorcing these packers from activities other than live stock?

Mr. COLVER. Yes; I express the belief now that the Congress, either through this committee or some other committee, will soon come to recognize, will soon come to give its very careful attention, through a committee first and then on the floor of the House later, and then in the Senate as well, to the problem that I have been suggesting; will recognize in the law the fact that there is competition between commodities as well as between dealers and manufacturers in the same commodity; and that that being true it is possible to have a monopoly and combinations and conspiracies by uniting competing commodities just as it is possible by uniting or having conspiracies or agreements between competitors in a given article. That is somewhat beyond this immediate bill before you to-day, but it is not outside of the problem before you to-day, and I think it is the outstanding thing that comes out of this examination and study that we have made.

The CHAIRMAN. If we accept your report—and I am not passing an opinion as to that—your report indicates that a conspiracy and a monopoly exists. I think that the commission in its report has made that so clear that there can be no question about the commission's belief, although I do not know that it is admitted by the packers. If so it would seem to be necessary to have legislation. With the consideration and the investigation that the commission has given to the subject the committee thought you might offer some suggestions as to just how far we should go in the matter of legislation. Your report has made suggestions as to the grain, cheese, butter, egg, oleo, and grocery business, publishing of market reports, refrigerator cars, cold-storage houses, the canning industry. It reports that the packers have control of these, and also gives a long list of banks controlled by the Big Five packers. These are all big questions. Of course, it is difficult to outline just how far to go and just where to start in.

Mr. COLVER. The commission made some suggestions a short time ago to the Judiciary Committee of the House that ran to this question. I will be glad to repeat that here, or I will be glad to furnish extracts of that for inclusion in the record at this point.

The CHAIRMAN. It is now 15 minutes after 5 o'clock, Mr. Colver. We will meet at 10 o'clock to-morrow morning and continue the hearings.

(Whereupon at 5.15 o'clock p. m. the committee adjourned until to-morrow morning, Wednesday, February 25, 1920, at 10 o'clock.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

WEDNESDAY, FEBRUARY 25, 1920

PART 2

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Wednesday, February 25, 1920.

The committee this day met at 10.15 o'clock a. m., Hon. Gilbert N Haugen (chairman), presiding.

STATEMENT OF HON. WILLIAM B. COLVER, MEMBER OF THE FEDERAL TRADE COMMISSION, ACCOMPANIED BY MR. WALTER Y. DURAND—Resumed.

The CHAIRMAN. Mr. Colver, are you ready to proceed?

Mr. COLVER. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. COLVER. I think, Mr. Wilson, that you asked me for a figure yesterday of the expense that the commission had been to in addition to the $250,000.

Mr. WILSON. Yes, sir.

Mr. COLVER. I have that figure. It is $52,816.65.

Mr. WILSON. I wanted to know about it because I heard that it was a very large sum, very much larger than it seems to be.

Mr. COLVER. That is, I think, an exact figure.

Mr. WILSON. I do not care to go into that.

Mr. COLVER. Mr. Chairman, I have a little table of percentages here that has never been published before and has never been used before. It was among the figures of calculations supplied to the Attorney General, showing the percentages that existed between these five large packing concerns in 1902 and what the percentages were on beef. They were: Swift, 35.751; Armour, 29.266; Morris, 14.983; Cudahy, 10; S. & S., Wilson & Co., 10, or combined, 20. In 1916, purchases of cattle, sheep, and hogs, combined: Swift, 36.52; Armour, 29.84; Morris, 13.86; Cudahy, 9.29; S. & S., Wilson, 10.49, or combined, 19.78.

That shows the variation from 1902 to 1906 of 77/100 of 1 per cent in the case of Swift; 58/100 of 1 per cent in the case of Armour; 1.12 per cent in the case of Morris; and 22/100 per cent in the case of Cudahy-Wilson figures, and that variation is even smaller when you take in butter, eggs, and poultry and add them to the meat. The percentages then become, Swift, 36——

Mr. DURAND (interposing). The total sales of the companies covering all their domestic and foreign business in all commodities?

Mr. COLVER. Yes. Swift, 36; Armour, 30.1; Morris, 13.8; Cudahy, 8.4; Wilson, 11.7, and the two combined, 20.1.

The variation then becomes: Swift, 25/100 of 1 per cent; Armour, 73/100 of 1 per cent; Morris, 1.18 per cent; and Cudahy-Wilson, 1/10 of 1 per cent.

Yesterday afternoon in your questions and after the meeting, Mr. Chairman, you suggested that not limited by the legislation immediately before you and having in view, perhaps, the larger aspect of this whole matter, that any suggestions might be made. I would suggest then as a suggestion of my own—I do not speak for the commission now, not having had time to see the commission—I would suggest then that as a proper subject for attention and study by this committee and by Congress, growing out of the examination and studies that have been made over the last two and one-half years, attention be directed to legislation as to whether or not it is wise and necessary at this time to require a disclosure of the real identity of the owners of any corporation engaged in interstate commerce, on the theory that a seller has a right to know to whom he sells, that a buyer has the right to know from whom he buys, and a competitor has the right to know with whom he competes. There are several aspects of the question. One of the most important and one, I think, this committee can take cognizance of, is the possibility and the probability of what might amount to almost a defeat of the revenue laws.

In the case of the ownership of the Chicago stockyards, there is no way in the world under the device that was used for the concealing of the ownership, for the revenue officers to know to whom the very large dividends of the Maine corporation are paid. The commission does not know who owns the company. The commission has only been able to find out that one block of the stock at one time was in the ownership of J. Ogden Armour and later in the ownership of Armour & Co.

I do not know how familiar you are with the device that was used at one time, but the ownership of the Chicago stockyards was finally concealed under operating companies and holding companies, a holding company as a holding company and the holding company of a holding company, and the final ownership evidenced by documents, by certificates and by warrant so that no power on earth could know the real owner. If that is true, and it is, then your revenue laws are absolutely defeated, and a consent decree or a decree without consent or any legislation that you might pass here with respect to the ownership of the stockyards or anything else can be absolutely defeated by the use of that device.

If you desire I will take possibly 5 minutes or 10 minutes, not more than 10 minutes, to explain that.

The CHAIRMAN. You have reference to the certificates payable to bearer?

Mr. COLVER. Yes, sir.

The CHAIRMAN. Do they disclose the owner or the identity of the owner?

Mr. COLVER. No.

This is the thing that Mr. Armour said that he would explain fully to the House Committee on Interstate and Foreign Commerce and which he was asked to explain specifically by the Senate Committee. It has not been explained yet. If there is holding back being done here, that at least is an instance of very specific holding back.

Here is a corporation formed in Maine, which owns the stock of the holding company which owns the stock of the operating and

owning company of the Chicago Stockyards and Terminal Railroad. All the stock, except qualifying shares, are issued in the name of the treasurer of the company and are never out of his hands. The single qualifying shares are issued in the name of clerks in a corporation trust office in Portland, Me., endorsed in blank by them and returned to the treasurer. When a dividend period comes around a dividend check for the full amount of the dividend, except those for the qualifying shares, is drawn by the treasurer to his own account and deposited by him in a special account, I think, in one of the Boston banks. The dividend checks for the qualifying shares, single shares, are sent to these clerks in Portland, endorsed by them and sent back to the treasurer and added to the fund.

The ownership of the stock and therefore the ownership of this company and therefore the ownership of the stock of the other companies and ultimately the ownership of the physical property out in Chicago is evidenced by a warrant, which looks like a combination of a stock certificate and a bond—it looks like a bond, as a matter of fact. It is a lithographic certificate which certifies that the bearer is the owner of blank number of shares of the stock of the Chicago Stockyards Co., a Maine corporation. Attached to this warrant when the warrant is first issued are 40 coupons without date and without amount, and without any dollar valuation shown at all, just coupons, but serially numbered. When a dividend is to be collected, by the provisions of 25 of the by-laws of this corporation, which is printed in full on the back of this warrant, whoever may have the warrant in his possession may detach the coupon and take it to any bank or send it to Boston, send a district messenger, send a chauffeur, send a servant, send a policeman, send a lawyer, send anybody he pleases to the bank and cash the coupon and so get the dividend. It requires no endorsement at all and there is no endorsement on the coupon so turned in. The coupon is a full receipt for the payment of the dividend. That means that the dividends can not be traced as to who got them and there is no way of telling whether the dividend was paid to a man who pays a normal income tax or to a man who pays 60 per cent supertax; absolutely nothing.

The second thing that a stock certificate or a stock of record usually does is to provide for the exercise of the voting power in the corporation. The voting power in this corporation is exercised in this way: It is provided by this same by-law, 25, that this warrant may be deposited at any bank or trust company in the United States and a receipt taken for it, simply saying that the bank is holding this warrant in custody and the bank will continue to hold it in custody until the receipt is presented for its redemption. That is to prevent repeating, voting at the stockholders' meeting. As the receipt given by the bank carries no name at all, if I have a warrant I could send anybody else to any bank anywhere. If I live in Washington I could send to a friend or to an attorney in any city or town in the United States and have him deposit my warrant and get a receipt for it, showing no name whatever; and then it could be sent to Boston and voted without disclosing my name for the number of shares that receipt calls for, which is the same as the warrant calls for. So there is absolutely no way to trace ownership, to trace identity.

If this device is permitted to stand, if it is permitted to come into common use—and it is very attractive for some reasons—not at all needed or necessary in the transaction of any legitimate business that I can see—nobody has explained it is a useful thing, nobody has as yet given the reason for it—nobody—if this device, which I think is a sign of the times, is permitted to come into common use, any regulatory legislation is rather futile. There would be no way of knowing whether the decree which we were talking about was being obeyed or not, nothing to show what investment of ownership there was with relation to the Chicago stockyards, because a man might be divested one minute and invested the next minute since the ownership absolutely runs to the bearer. If we had one of these certificates here—I have one in the office, but it is a sample, taken from the book and canceled—if we had one of the certificates here, a valid one and it passed around this table, in law and in fact, each one, as long as the paper remained in his hand, was the owner of that property. I might say one minute that I did not own any of it and the next minute I could not say that truthfully; or if I were to be asked if I owned it I could hand it to my chauffeur and say, "No; I do not own it," and I would not, for I did not have it in my possession. The cashing of the coupons for the dividends is not limited to any bank in the United States; they can be deposited and cashed anywhere.

The CHAIRMAN. What did you say was the purpose of depositing the coupons with the banks?

Mr. COLVER. To get the money. You can deposit the warrant in order to get the bank's receipt to be used for voting purposes.

The CHAIRMAN. What did I understand you to say it was to prevent?

Mr. COLVER. You deposit the warrant in the bank so as to prevent repeating. The bank would take the warrant and give you a receipt to prevent the repeating of the vote.

The question was asked by the chairman as to how far legislation might safely go with respect to engaging in related or unrelated business. I am bound to say that I think one of the things which would be as gentle and as reasonably corrective as anything else would be to have absolute disclosure of who owns these related and unrelated lines; who they are. If in the 500 different corporations owned by these five concerns each one of the subsidiaries or the related or unrelated companies stood out identified as to who owned them, the buyer, seller, and competitor would be on his notice. Certainly it is no hardship to a man to be required to put his own name over his door when he starts into trade; it should not be. If it is a hardship for a man to bear his own name, that is his fault.

Mr. WILSON. To what are you referring?

Mr. COLVER. These are the hearings before the Committee on the Judiciary.

Mr. ANDERSON. Did the commission make any specific recommendation as to which this testimony was in support?

Mr. COLVER. With respect to this matter that I have just been talking about, a form of legislation was suggested to meet this particular thing, and before the Committee on the Judiciary it was suggested as a possible additional paragraph to section 7 of the Clayton law. I think it would be just as useful anywhere else where it is germane to the bill.

I will either read this suggested form, it is not very long, or, if you desire, Mr. Chairman, I will put it into the record.

Mr. RUBEY. Please read it.

The CHAIRMAN. Yes; I think you had better read it.

Mr. COLVER (reading):

(*a*) Any officer of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce who shall pay or cause to be paid any dividend, or shall draw or deliver, or cause to be drawn and delivered, any dividend, or shall draw or deliver, or cause to be drawn or delivered, any dividend, check, coupon, or warrant to any stockholder of record unless said stockholder shall have filed with the secretary of the corporation within 15 days prior to the payment of such dividend, a statement in writing showing the name and address of the true beneficiary, owner, or owners, of the stock of record in his name, and, if such stock is pledged as collateral for loan, setting forth the name and address of the person to whom such loan is payable, shall be deemed to be, and is hereby, declared to be guilty of an offense against the United States.

(*b*) Any officer of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce, who shall at any regular or special meeting of stockholders receive or record the vote, or cause to be received or recorded the vote of any stockholder of record, whether offered to be cast in person or by proxy unless the stockholder of record shall have filed with the secretary of the corporation a statement in writing, as hereinbefore provided, in the case of payment of dividends, within 15 days prior to the date of such regular or special meeting of stockholders, shall be deemed to be, and is hereby, declared to be guilty of an offense against the United States.

(*c*) Any stockholder of record of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce, who shall file or cause to be filed any statement as hereinbefore provided which is untrue in any respect, shall be deemed to be, and is hereby, declared to be guilty of an offense against the United States.

(*d*) Any stockholder of record who shall receive any dividend or dividend check, or any warrant or other evidence for securing the payment of a dividend, regular or special, unless he shall have filed with the secretary of the corporation a statement as hereinbefore provided, shall be deemed to be, and is hereby, declared to be guilty of an offense against the United States: *Provided*, That any stockholder of record who shall upon receipt of any dividend or any check, warrant, or other evidence of ownership of such dividend, may purge himself if he shall return by registered mail such dividend, check, warrant, or other evidence of ownership of such dividend to the secretary of the corporation within 10 days of the receipt thereof, together with the statement of true beneficial ownership as hereinbefore provided: *And provided further*, That any stockholder of record of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce, may receive and the proper officers of such corporation may pay any dividend withheld under the provisions hereof upon the filing by the stockholder of record and the receipt by the officers of such corporation such statement of true beneficiary ownership as is hereinbefore provided.

(*e*) Any stockholder of record of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce who shall vote or attempt to vote in person or by proxy at any regular or special meeting of such corporation unless he shall have filed with the secretary of the corporation a statement in writing of the true beneficiary ownership of the stock, as hereinbefore provided, standing in his name within 15 days prior to the date set for such regular or special meeting of stockholders shall be deemed to be, and is hereby, declared to be guilty of an offense against the United States.

(*f*) If any stockholder of record in any corporation engaged in commerce or any corporation owning or holding the stock of a corporation engaged in commerce, shall itself be a corporation, partnership, or association, then its president or proper representative shall be required to file the statements hereinbefore provided and any penalty that would attach to a natural person as a stockholder of record hereunder by reason of the filing of a false statement of true ownership prior to the receipt of dividend or evidence of the ownership of dividend as hereinbefore provided, or exercising the stockholder's right to vote shall attach to such president or representative of such corporation, association, or partnership, personally in the event of his filing false statement, or failure to file statement as hereinbefore provided, shall be guilty of an offense against the United States.

(q) Any officer of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce, who shall issue or cause to be issued any stock warrant or any other evidence of stock ownership unless it sets out the name of the owner of record of such stock, the ownership of which is so evidenced, shall be deemed to be, and is hereby, declared to be guilty of an offense against the United States.

(h) Any trustee of any stock in any corporation engaged in commerce or any corporation holding the stock of any corporation engaged in commerce, who shall issue or cause to be issued any stock warrant, receipt, certificate, or other evidence of stock ownership unless it shall set out the name of the owner of such stock ownership and which is so evidence, shall be deemed to be and is hereby declared to be guilty of an offense against the United States.

(i) The secretary of any corporation engaged in commerce or of any corporation holding for itself or as trustee or in any fiduciary capacity any stock of any corporation engaged in commerce or of any corporation owning or holding the stock of a corporation engaged in commerce, shall keep a book of record of the corporation showing the stockholders of record and the true beneficiary owner of the stock standing in the name of each stockholder of record and shall enter in such book of such record as of the date of each regular or special meeting of stockholders and as of the date of payment of each regular or special dividend, and if such secretary fails to keep such record in the manner hereinbefore provided, he shall be deemed to be and is hereby declared to be guilty of an offense against the United States.

(j) The secretary of every corporation included under the provisions hereof shall safely keep in a place or in a book especially provided therefor originals of all statements filed hereunder, and any person who shall mutilate, alter, destroy, or by any means falsify any such statement shall be guilty of an offense against the United States.

(k) In every case herein wherein the commission or any act or the failure to commit an act is declared to be an offense against the United States, the person so declared to have committed an act against the United States shall be subject, upon conviction in any court of the United States of competent jurisdiction, to imprisonment for a term of not more than three years.

(l) It shall be unlawful for any stockholder of record in any corporation engaged in commerce, or any corporation owning or holding the stock of any corporation engaged in commerce, to qualify as a stockholder for the purpose of acting as an officer or director of such corporation unless he shall be the true beneficiary owner of the stock standing in his name.

Here we come to another phase—that is, the use of dummies for the management or for the control of the management and ownership of corporations engaged in commerce.

Any person, partnership, or corporation which is disclosed as the true beneficial owner—

Mr. HULINGS. What is that, the statute or a proposed statute?

Mr. COLVER. It is a suggestion of a form of legislation to meet this situation.

(m) Any person, partnership, or corporation which is disclosed as the true beneficial owner of any stock in any corporation coming under the provisions hereof shall be required to file with the secretary of the corporation whose stock he owns the statements hereinbefore required to be filed by stockholders of record under all the conditions and with the penalties hereinbefore provided.

(n) It is hereby declared unlawful for any person, partnership, association, or corporation engaged in the production, manufacture, distribution of, or dealing in any commodity or commodities, or any partner, member, or stockholder of such partnership, association, or corporation, or any owner of a beneficial interest therein, to own or hold any interest in any partnership, association, or corporation engaged in commerce which produces, manufactures, distributes, or deals in the same commodity or engages in the same line of business or which produces, manufactures, distributes, or deals in any article of commerce used or sold in competition with or as a substitute for such commodity, or engages in a competing line of business, and any person who shall for himself, or as an officer, representative, or agent who shall violate this provision shall be deemed to be, and is hereby, declared to be, guilty of an offense against the United States, as hereinbefore provided, and shall be subject to the procedure and penalty hereinbefore provided.

That latter part is the recommendation of the thing that I was talking about yesterday, the competition which exists as to commodities as well as between competitors in the same commodity. Those suggestions, I might say, are general; they do not run alone to the live-stock business; they are general suggestions brought to my mind by the state of facts and the situation which has been disclosed in this inquiry into the food business, especially into the business of meat packing. There is no suggestion there, in my opinion, which is either radical, unusual, revolutionary, or startling in any way. It is applying to the artificial creatures of the law the same reasonable rules which are applied to the natural persons. It is applying to these artificial citizens, inhabitants of our country, the same rules that we apply to ourselves as free men. We are required to use our legal name, we are required to answer reasonable questions at census time, at voting times, and at other times with respect to our habitation, our true names, social conditions, as to whether we are married or single, our true residence—a free man, living in a free country is required and expects and takes it as no hardship to furnish all the information about himself that is suggested here that an artificial person created by an act of law shall be required to furnish about himself.

There is no right in the artificial person that it should be allowed to move in darkness, conceal its movements, its identity, its ownership—there can be no right in the artificial person to do that if there is no such right in the natural person. One of the mooted questions in this inquiry that we have here was the true ownership in certain newspapers. The post-office statements of ownership were consulted and they were not found to be accurate. Denials were made of the ownership of certain stock in newspapers and other concerns. Statements had been filed, according to law, but the names of the stockholders were the names of dummies, and in some cases it took a long time, a much longer time, and much more of an expenditure of time and energy than the issue actually warranted, I think, to compel, to force and finally to bring out these ownerships. They were not so important in the public interest, they had a lot to do with this particular industry, but the public interest was not affected.

I think that the Secretary of War, for instance, in opening bids for food for the Subsistence Department has the right to know when he opens the bids whether he has five bids from five concerns or five bids from one concern. I think the competitor going out in the market has the right to know whether he is competing with one man or three when he finds three men out there competing with him. I think the seller has a right to know to whom he sells so that he may choose his customers. The law is very careful to safeguard the right of a man to choose his customers. I think it is entirely within the province of the law to make it possible for him to choose his customers. He can not do it now, because he does not know who his customer is.

There are some interesting charts here having to do with the relation of pork prices to the fluctuations of certain pork products and the price paid for the live animal. There are also charts showing similar figures with relation to mutton. The charts having to do with the pork prices I am familiar with; the one having to do with the mutton prices, I am not. Mr. Durand will explain them.

Mr. DURAND. Gentlemen of the committee, I shall try to make this chart clear. I think it is intelligible on its face that beginning with the 1st of August, 1919, we have the prices of live hogs at Chicago shown by the black lines at the bottom of the chart. That, you will notice, falls from a price of nearly $23 a hundred on August 1, with a fairly steady decline to about $14.50, not quite $14.50 in Chicago by the end of the year, December 31. The upper series of lines are New York and Boston fresh pork loin prices for cuts of 8 to 10 pounds, the blue line being Boston and the red line New York. You will see that the spread from the live price of $23 on the 1st of August was such that the pork loins were about $34.50, a spread of about $11.50.

Mr. WILSON. Before you go any further—I think the rest of the members of the committee would like to secure the same information—this lower line represents the price of the hogs and these upper lines represent the prices of the products of the hogs?

Mr. DURAND. Yes, sir. The lower line is the live-hog price at Chicago and the upper lines are the product prices, in these two Eastern cities at wholesale, and the packer's price.

You will notice that while the live-hog prices were declining during the months of August and September, near the end of October the price of fresh pork loins did not decline either in New York or Boston, but were increased somewhat. At about this time——

Mr. TINCHER (interposing). You do not mean October; do you not mean the 22d of November?

Mr. DURAND. If you will notice here [indicating] there was a tendency downward.

Mr. TINCHER. It did not get below the other?

Mr. DURAND. Not until this point [indicating] at the end of November, it did go below.

Mr. ANDERSON. Please give the price to show what the spread was in October.

The CHAIRMAN. Give the spread on October 23, for instance.

Mr. DURAND. On October 21, here [indicating] I will say that the spread was from about $14 for the live-hog price to about $37.50 for Boston pork loins.

The CHAIRMAN. What is the other?

Mr. DURAND. The spread at the beginning was $11.50.

Mr. RUBEY. Was that Boston price retail or wholesale?

Mr. DURAND. These are only wholesale prices.

Mr. RUBEY. The prices charged by the packers?

Mr. DURAND. At their branch houses. About that time there began to be agitation and publicity as to this general question of prices, the cost of living, there was a special agitation that swept over the country, more particularly at the end of November, and then you find a sharp drop within a few days in these wholesale prices.

Mr. RUBEY. Please put in the record the spread on the 18th day of November.

Mr. DURAND. Yes, sir. On the 18th of November the spread between the live prices at Chicago and the wholesale prices at Boston of the pork-loin products was from about $14.50 to $35.50, and the spread between the live price at Chicago was from $14.50 to a price of $38.50 in the New York wholesale price. Following about the

24th of November, there was a very sharp decline in the wholesale price both as to Boston and New York, and that decline, I think, was the exact result of the publicity given to those facts, that the spread of the packer had been an unreasonable spread during this period.

Mr. TINCHER. Was not this chart presented to the joint meeting of the Agricultural Committees of the House and Senate, along just before that sharp decline?

Mr. DURAND. I do not remember the date. That was the month of August, I understand, that was presented. It showed this far [indicating] what had happened in the month of August. It was presented, I am not sure of the date, to the committees some time in October or November.

Mr. TINCHER. I was there and saw it the first time in November.

Mr. DURAND. But it showed only the August figures at that time. Following the publicity as to these matters the price declined until at the end of the year, here [indicating], we have a spread about like the spread at the beginning of this period, hogs were then selling at about $14.50, a little less, and the pork loins at New York and Boston were selling at about $24.50, or a spread of about $10, even smaller than the spread at the beginning of the period on August 1, 1919.

Now, it is somewhat interesting, as will be shown by this lamb chart, which we have here, that just about the time that the publicity began to have its effect in bringing down the spread on hogs, those having been specifically called to public attention, the spread on lambs began to increase. This chart [indicating] will show that.

The CHAIRMAN. How about the figures on hams and other parts of the hog?

Mr. DURAND. I have not that chart here, Mr. Chairman. We could present that later. We have such a chart made up, but it is not here at this time.

(The statement explaining chart on hams and bacon, submitted by Mr. Durand, is here printed in full as follows:)

MEMORANDUM ON HAM AND BACON CHART.

The ham and bacon chart shows to what extent the price of cured ham and bacon followed the prices of live hogs during the first month of the decline. As bacon and light hams require a month for curing, the price range is given for September as compared with the August range of prices for live hogs.

Following this procedure, according to the Bureau of Markets figures:

Live hogs fell in August from 22.70 to 18, or 20.8 per cent.

Light hams fell in Boston from 34 to 30.88, or 9.2 per cent.

Bacon fell in Boston from 40 to 37.61, or 5 1 per cent.

The CHAIRMAN. I believe it has been stated that this is not a fair representation for certain cuts which are in greater demand than others.

Mr. DURAND. The full statement is in the Senate record, in regard to cuts. It will be found in part 5, Commissioner Colver's statement before the Senate committee. We have 98 products of the hog that are listed in the National Provisioner, and it is shown there that while the price of live hogs during the period covered declined about 37 per cent—the average decline of those 98 products of the hog, which are those listed by the National Provisioner, was 20.6. So that the products did not decline so much on the average.

The CHAIRMAN. Were the fluctuations then about the same as they were on this particular cut?

Mr. DURAND. No; they vary. Some products declined nearly as much as the live hog prices declined; others declined less, and some increased, but the weighted average we found was 20.6 per cent decline, while hogs were declining about 37 per cent, so that the packers' margin apparently improved rather than the opposite.

This chart [the lamb chart] shows that beginning with the 2d of December, just following the time when, according to the other chart, you saw that pork loin prices were going down and the spread was getting back to the normal, just at that time the spread for lambs began to increase. While live lambs in Chicago were selling on December 2 for $15.25, that being the live price paid by the packer, choice and good dressed lambs on that date were selling for $22.31—that was an average wholesale price of the packer at four principal markets.

The price of live lambs during the month of December and on through the month of January increased at Chicago, so that by February 2 the price of live lambs had increased to $19.50, an increase in the live price of $4.25 a hundred.

This green base line at the bottom of the chart was simply to show you conveniently the rise in the price of the live lamb, and similarly, the blue line in the middle of the chart is to show the base line, so that you can judge the greater rise in the wholesale price received by the packer for the lamb products. So that here this solid red line shows that from December 2 the price of choice and good dressed lambs rose from $22.31 until on February 2 the price was $33 a hundred.

So that from this base price, as you may call it, of December 2 of $22.31, there has been an increase of about $11, to be exact, $10.69, in the wholesale price.

This dotted red line is purely an imaginary line, simply to show what the wholesale price would have been had the spread remained the same as it was on December 2. Therefore the space between the dotted red line and the solid red line [indicating on chart] is the measure of the extra spread that accrued to the packers during this period.

Mr. YOUNG. Now, put it in figures, for the dotted line.

Mr. DURAND. This statement for the record will show that. I might read it, or put it into the record.

(The statement of prices of live and dressed lamb December 2 to February 2, submitted by Mr. Durand, is here printed in full, as follows:)

PRICES OF LIVE AND DRESSED LAMBS DECEMBER 2 TO FEBRUARY 2.

The lamb chart shows the course of prices of live lambs (of 84 pounds and under) on the Chicago market and the prices of choice and good western lambs when dressed in the markets of New York, Philadelphia, Boston, and Chicago between the dates of December 2 and February 2. The average price of the four markets is taken. The chart is based on the daily quotations of the Bureau of Markets.

The figures in green show the advance per hundredweight in live lambs during the two-month period. The figures in blue show the advance in dressed lambs during the same period. These are wholesale prices.

The increase in price of live lambs was from $15.25 to $19.50, an advance of $4.25 a hundred, or 27.9 per cent. The increase in dressed lambs was from $22.31 to $33, an advance of $10.69 a hundred, or 47.9 per cent. The spread increased from $7.06 a hundred to $13.50 a hundred.

The dotted red line shows the price at which dressed lambs would have sold if dressed prices had just kept pace with the advance in live lambs. If the spread of $7.06 a hundred at the beginning of the period had been the same at the end of the period, the price of February 2 would have been $26.56.

The solid red line is an average of choice and good dressed lambs in the four markets, medium dressed lambs—the next lower grade—not being included. The difference in grade between choice and good lambs is slight and often does not exceed 50 cents a hundred. It is often observed that the selling price of good dressed lambs in one market is the same as choice lambs in another. It was therefore thought not objectionable to take the average of the two for charting purposes. Not so with medium dressed lambs. Their wholesale price ranges $1 a hundred or more under dressed lambs classed as "good." Moreover, while some medium dressed lambs come from the live lamb class of 84 pounds and under, quoted daily by the Bureau of Markets, a great majority come from a lower grade of live lambs. It was therefore deemed unfair to give the medium dressed lamb prices weight in the determination of the solid-red line. Had it been done it would have been open to the criticism of allowing a relatively small number of animals to have an undue influence on the statement of an advancing price movement. It would not have been a properly weighted average.

For the benefit of any who think they should be included, as some medium lambs come from the class of 84 pounds and under, the percentage of increase as it would have been had the medium dressed lambs been included is given below. Had the medium dressed lamb selling prices been given equal weight with each of the two higher grades in the determination of the solid-red line, the range for the two months would have been from $21.54 on December 2 to $31.91 on February 2, an increase during the period of 48.1 per cent. The line used on the chart (choice and good dressed lambs) shows an increase of 47.9 per cent.

(Summary of price advances in western lambs, four cities, from December 2, 1919, to February 2, 1920, submitted by Mr. Durand are here printed in full, as follows:)

Live lambs 84 pounds and under at Chicago.

	Cost per hundred Dec. 2.	Cost per hundred Feb. 2.	Advance.	
			Amount	Per cent.
Choice	$15.75	$20.25	$4.50	28.6
Good	14.75	18.75	4.00	27.1

Advances in dressed lambs, four cities, wholesale.

NEW YORK.

	Price Dec. 2.	Price Feb. 2.	Advance.	
			Amount.	Per cent.
Choice	$23.00	$33.50	$10.50	45.6
Good	21.50	31.00	9.50	44.2

BOSTON.

Choice	$21.50	$32.00	$10.50	48.8
Good	20.50	31.50	11.00	53.7

PHILADELPHIA.

Choice	$24.50	$35.00	$10.50	42.9
Good	22.50	33.50	11.00	48.9

CHICAGO.

Choice	$23.50	$34.50	$11.00	46.8
Good	21.50	33.00	11.50	53.5

A striking feature about these lamb prices is the ease with which those interested advanced the price of the finished product when a lesser advance in the price of the live animal gave them an argument for such advances in dressed lambs. This may be contrasted with the three or four months' campaign of nation-wide publicity which was necessary before an aroused public opinion finally forced the packers to allow the prices of fresh pork to follow the declining prices of live hogs.

Mr. TINCHER. There is one thing you always do in making the approximate that way unfair to the consumer and give the packer the best of it, if you will permit me to say that. There is a margin now on the 2d of how many cents?

Mr. HULINGS. $7.06.

Mr. TINCHER. $7.06. Now, then, with the raise in the price you still leave the same margin, when you say they have been increased in proportion—I mean in your imaginary line. Do you not understand that gives them the benefit if they raise the price of beef or mutton the same number of cents per pound that they raise the price of the live animal? That gives them a great benefit of margin when you say you make that a fair approximate. For instance, if they were making, say, $2 on one lamb, on this other price back here [indicating]—I hope they do not make that much, but say that they make that much—at that price—and on the other increase they would have been probably making $3.

Mr. DURAND. I can not present that idea that you are illustrating on a chart very well.

Mr. TINCHER. But you can.

Mr. DURAND. You refer to this dotted line; that is an imaginary line.

Mr. TINCHER. On cattle that makes a big difference, and it will be the same thing on sheep and hogs. On your imaginary line you give them the best of it in your estimate, because the difference is in the net and gross weight of the animal.

Mr. DURAND. But this shows sufficient increase in margin.

Mr. HUTCHINSON. Do they have just as many lambs on December 2 as February 2? Is there not a shortage of lambs at that time of the year? Do you think it is fair to go ahead and give the amount of increase when you do not give the amount of lamb on hand at that time?

Mr. DURAND. It would be desirable to add those figures.

Mr. HUTCHINSON. Of course it would. It is not a fair proportion, because if there is a scarcity that advances the lambs' price.

Mr. DURAND. That does not account for the spread.

Mr. HUTCHINSON. You ought to show that. You are only giving one side of it; you are not giving a fair proposition to the committee.

Mr. DURAND. Scarcity or plenty does not affect the spread.

Mr. HUTCHINSON. Why does it not?

Mr. DURAND. If there is scarcity, the price should go up as it did, a little, but there is no reason why——

Mr. HUTCHINSON. The more scarcity there is the higher they go?

Mr. DURAND. They go together.

Mr. HULINGS. The scarcity shows, as there was an increase of about 4 cents a pound.

Mr. DURAND. If the law of supply and demand is working, it ought to work on both ends and not only on the selling end. I might sug-

gest in addition to the flesh of the lamb that the pelt is an important product, and during this period covered here the price of lamb pelts advanced from $3.76 per pelt to $4.37 per pelt, so that there was no necessity of added margin on the meat in order to make up for the pelts, because pelts were also increasing in value during this period.

Mr. McKINLEY. Suppose the packers were paying 15 cents a pound for lambs, and that they were selling the meat at 25 cents per pound, and they commenced paying 20 cents a pound for the live lamb, would it be fair to just raise the price of the meat sold 5 cents a pound?

Mr. DURAND. I think there are a good many factors that enter in there.

Mr. McKINLEY. I am asking you.

Mr. DURAND. The packers have usually maintained that the price——

Mr. McKINLEY (interposing). I am asking you; I am not asking what the packers said.

Mr. DURAND. As I am not engaged in the business of making the price for the packers——

Mr. McKINLEY (interposing). You are sidestepping my question, that is all.

Mr. DURAND. I do not think you could fairly ask me what price I would set when I am not making the price.

Mr. McKINLEY. I am asking you how you make up your chart.

Mr. DURAND. The chart is simply made up from the record of the prices paid.

Mr. McKINLEY. You say what ought to have been the price. How are you made it up?

Mr. DURAND. We have not said what ought to be the price; we have simply shown you that the spread increased.

Mr. McKINLEY. You have used something in making up that red line spread?

Mr. DURAND. This spread existed at this point [indicating] the spread that existed on December 2; this spread that existed was projected from the lower black line, so as to assist your eye to see how much the spread increased during the period over what it was.

Mr. McKINLEY. Is that the same space here [indicating] to there?

Mr. DURAND. Yes; it is the same space from here to there [indicating].

Mr. McKINLEY. That is what I am trying to find out, whether it is fair, if lambs are worth 15 cents then are advanced to 20 cents a pound—whether it is just fair to make exactly the same margin. Here is a 50 per cent wastage on the lamb.

Mr. DURAND. You understand this line is not suggested as what the price should have been.

Mr. McKINLEY. Why, yes; it is. It is suggested to put it in our minds what the price should have been.

Mr. DURAND. No; simply what the price would have been had they maintained the same spread.

Mr. ANDERSON. Mr. McKinley's proposition is just this: That due to the shrinkage in the animal and the higher costs of the live product, that the actual margin, not the percentage of margin, necessarily increases as the price goes up. That is the point he is trying to make.

Mr. McKINLEY. That is it. But you have not shown it.

Mr. TINCHER. He is absolutely wrong on the point. Let me ask the witness some questions. Take this lamb at 15 cents a pound, and we will say it weighs 100 pounds. That would make the lamb cost $15 to the packer. If the packer sells that lamb at $22.31, or with a margin of 7½ cents a pound on the meat, and makes 25 cents, we will say—I do not know what they make on lambs—but if he pays 22 cents for the lamb and sells it for the same increase of 7½ cents, he will increase his profits on the lamb just that much more, will he not. You understand that?

Mr. DURAND. I do not think I understand it.

Mr. TINCHER. I want to make you understand, because I think it is important that you should. Let us take a steer, for instance. I know something about how they dress, though I do not know much about lambs. A 1,200-pound steer at 10 cents would be $120 a packer would pay for it, would he not? We will say that the steer will dress 800 pounds or less—that is too much, but not unfair.

Mr. DURAND. It would dress about 55 per cent.

Mr. TINCHER. We will say 800 pounds, because there has been such an animal butchered. If there is a 5 cents margin—if they raise the price of that steer which weighs 1,200 pounds 5 cents, they pay $60 more for the steer?

Mr. DURAND. Yes.

Mr. TINCHER. One thousand two hundred pounds costs $60 at 5 cents a pound. If they paid 10 cents a pound they would pay $120 for him. If they increase the price of the meat in the same proportion for a 1,200-pound steer they would increase their profits $20 on the same steer.

Mr. DURAND. There are a good many elements entering into this matter, Mr. Congressman.

Mr. TINCHER. The packers will tell you that they do not increase the price of meat as much as they increase the price of live stock to make a fair basis, and that they decrease the price of meat more than they decrease the price of live stock; is not that true?

Mr. CHAPLIN. That is not true. If we paid a cent a pound more, we would have to increase the price of meat more than a cent, because we only get 50 pounds of meat out of 100 pounds of the live animal. The same thing is true of this chart. We only got about 48 pounds of meat out of each 100 pounds.

Mr. TINCHER. You would have to increase it more.

Mr. CHAPLIN. Of course, we would have to increase it more; we would have to nearly double it.

Mr. TINCHER. And if you decrease the price of an animal you have to decrease the price of meat more?

Mr. CHAPLIN. Yes; per pound; not more per cent.

Mr. TINCHER. Where I had the misunderstanding was when you took on about 5 cents a pound on a 1,200-pound steer, or $60 on the animal, and you took off 5 cents a pound on the meat.

Mr. CHAPLIN. No, sir; we did not; we took off more than that.

Mr. TINCHER. I should figure you had ought to take off about $40.

Mr. CHAPLIN. No; we took off more than that. We did not take off 5 cents on the steer; we took off less than that, and we took off about 7 cents on the meat.

Mr. TINCHER. You took off more on the steer than on the meat?

Mr. CHAPLIN. More per pound; not more per cent. That is what is wrong with that chart, is the fact that the lamb only yields about 50 pounds of meat is not considered.

Mr. TINCHER. That is only on the dotted line.

Mr. DURAND. Mr. Chaplin, I have a statement here to go with the chart, which will be put in the record, which works out on the basis of live weight and dressed weight, and I would like to put that into the record as explanatory of the chart.

Mr. CHAPLIN. That had not been brought out so far.

Mr. DURAND. I had it in my hand to bring out.

(The statement explanatory of the chart was subsequently submitted by Mr. Durand, and is here printed in full, as follows:)

ADVANCE IN WHOLESALE PRICES OF LIVE AND DRESSED LAMBS IN CHICAGO, DECEMBER 2, 1919, TO FEBRUARY 2, 1920.

(Figures from Bureau of Markets daily bulletins.)

On December 2, 1919, prices on lambs 84 pounds or under from which come dressed lambs classed by the Bureau of Markets as "choice" and "good" ranged in the Chicago market from $14.25 to $16.25 a hundredweight. On February 2, 1920, the same class of lambs sold from $18 to $21 a hundred, an average advance of $4.25 a hundred, or 27.9 per cent. Taking the midway point between the average and the minimum as a fair price for computation for lambs classed as "good," and the midway point between the average and the maximum as a fair price for computation for lambs classed as "choice," we have on December 2 a price of $14.75 a hundred for "good" lambs and $15.75 a hundred for "choice" lambs. On the same principle we have on February 2 a price of $18.75 for "good" lambs and $20.25 for "choice" lambs. These prices show an advance of $4 a hundred, or 27.1 per cent on good lambs and $4.50 a hundred, or 28.6 per cent on choice lambs.

Between the same dates in Chicago food dressed lambs advanced from $21.50 a hundred to $33 a hundred, an advance of $11.50 a hundred, or 53.5 per cent, while choice dressed lambs advanced from $23.50 a hundred to $34.50 a hundred, an advance of $11 a hundred, or 46.8 per cent.

While lambs dress not over $50 per cent as to meat, the two principal by-products, the skins and the wool, are very high at present prices. Between November 29 and January 31, according to Hide and Leather of those dates, packers' lamb pelts advanced from $3.76 to $4.37, and lambs' wool advanced from $1.25 to $1.34 a pound, so it can not be said that the notable advance in the price of the meat was necessary to offset a drop in skin and wool prices.

As an illustration, take a "good" 80-pound lamb two months ago. At the December 2 price of $14.75 a hundred, the lamb would cost $11.80. Dressing $50 per cent in meat it would yield 40 pounds. Forty pounds at the dressed lamb price of $21.50 a hundred would bring $8.60. Add $3.76 received for the pelt, the chief by-product, and we have $12.36 for the meat and pelt, which leaves a gross margin of $56 over the cost of the live lamb. Whatever was received for other by-products would increase this margin. A live lamb classed as "choice," at $15.75 would cost $12.60. On the "choice" dressed lamb the 40 pounds at $23.50 would bring $9.40, plus $3.76 for the pelt, gives $13.16 for meat and pelt, a gross margin of $0.56 over live cost.

Now take the same "good" lamb at February 2 prices. The lamb at $18.75 a hundred would cost $15. The 40 pounds of meat which it yields at $33 a hundred would bring $13.20. Adding the price received for the pelt, $4.37, makes the return for meat and pelt $17.57, leaving a gross margin over live cost ($15) of $2.57. As in the case of the lamb bought two months previous, whatever is received from other by-products would increase this margin. A live lamb classed as choice on February 2 would cost, at $20.25 a hundred, $16.20. The 40-pound yield, when dressed, at $34.50 would bring $13.80, plus $4.37 for the pelt, gives $18.17, a margin of $1.97 over the live cost of $1.20.

Thus the gross margin of meat and pelt (without other by-products) over live cost has advanced in two months from $0.56 to $2.57 per head in the case of good lamb and from $0.56 to $1.97 in the case of choice lambs.

Mr. VEEDER. This black line represents the live-lamb price at Chicago?

Mr. DURAND. Yes.

Mr. VEEDER. Does that represent all the lambs purchased at Chicago by these parties? In other words, this shows the price of lambs purchased at Chicago; this red line [indicating] shows the price of choice and good lambs purchased in Chicago?

Mr. DURAND. These live-lamb prices, Mr. Veeder, are the live lambs, 84 pounds and under, at Chicago.

Mr. VEEDER. This black line [indicating] represents only choice and good?

Mr. DURAND. We thought that that would be the fairest comparison with choice and good dressed lambs.

Mr. WILSON. Have you the number of lambs on December 2 for market and those on February 2?

Mr. DURAND. I have not those figures here, Mr. Congressman.

Mr. WILSON. I think it would be important to have that put in, to show the differences, possibly. The demand may have had something to do with it.

Mr. VEEDER. This chart represents the selling price of lamb at only four markets. It might be that the balance of the markets were lower than that, I suppose?

Mr. DURAND. Those are the four markets in which the Bureau of Markets makes its reports.

Mr. VEEDER. Swift & Co. has something like 400 branch houses.

Mr. DURAND. These are the markets for which information is publicly available.

Mr. HUTCHINSON. Could that be put in the chart where they are taken from?

Mr. DURAND. The source is stated in this memorandum that I am furnishing.

Mr. CHAPLIN. There is another feature you have not mentioned, and that is the selling price of choice and good lambs. We buy a lot of lambs and we pay these prices that you show, but they are not all good and choice.

Mr. DURAND. The black line at the bottom, Mr. Chaplin, is the price of choice and good lambs, average; not the price of all lambs.

Mr. CHAPLIN. I know; but we buy what is called a lot of choice and good lambs, and when we kill them we find there are only perhaps 75 per cent of them that will grade as choice and good. There are others which are culls and inferior quality of lambs.

Mr. DURAND. But do you find it works the other way, sometimes on the lambs you buy as inferior grade, that some of them dress out better than you anticipate?

Mr. CHAPLIN. Yes; that is true.

Mr. DURAND. This is the representation for the market as we find it, and I suppose that the same condition as to culls, etc., would apply at the beginning of the period and at the end of the period, so that the margin probably would not be much affected by that either way.

Mr. VEEDER. May I ask just one more question? Will these diagrams be left here so that we can refer to them?

Mr. DURAND. I should be very glad to do that.

Mr. WILSON. I was going to suggest that they be put into the record.

The CHAIRMAN. I am not sure that the charts can be put into the record.

Mr. DURAND. We can leave them with the committee.

Mr. VEEDER. Please leave them with the secretary of the committee.

Mr. DURAND. Mr. Chairman, you asked regarding the other pork products besides those shown on the chart, and if I may refer you to page 94 of part 5.

The CHAIRMAN. They had better be incorporated in the record, as they give a detailed statement of the whole matter.

Mr. DURAND. I will furnish that to the stenographer, then, beginning on page 94 and carrying through to the top of page 96.

The CHAIRMAN. Without objection, it is so ordered.

(The data regarding pork products, beginning on page 94 of part 5, Senate Committee on Agriculture and Forestry Hearings, and ending on page 96, submitted by Mr. Durand, is here printed in full, as follows:)

MEMORANDUM RE LIVE-HOG PRICES AND HOG PRODUCTS.

While live hogs were declining from $22.70, on July 31, to $14.31, on December 31, of 37 per cent, the following hog products, being all that are quoted in the weekly issues of the National Provisioner, changed during the same period as follows:

(Prices from which the following is based taken from the National Provisioner of August 2 and January 3.)

Fifteen products declined between 30 and 35 per cent.

Twenty-three products declined between 20 and 30 per cent.

Twenty-four products declined between 10 and 20 per cent.

Eleven products declined between nothing and 10 per cent.

Fourteen products remained unchanged in price.

Four products advanced between nothing and 10 per cent.

Seven products advanced between 10 and 20 per cent.

Details on attached sheets. About two-thirds of the prices used are from the Chicago market and the balance from New York. New York items are indicated (N. Y.) after the article.

Weighted average decline of products, 20.6 per cent.

Fifteen products declined between 30 and 35 per cent:

Fresh hams; salted butts; fatbacks, 10–12 pounds; fatbacks, 12–14 pounds; extra short clears; bellies; clear bellies, 14–16 pounds; clear bellies, 18–20 pounds; rib bellies, 20–25 pounds; fresh pork loins, western (N. Y.); extra short ribs; prime steam lard, cash; leaf lard; leaf; prime steam lard, loose.

Twenty-three products declined between 20 and 30 per cent:

Rump butts, skinned hams, skinned boiled hams, regular boiled hams, fresh hams, city (N. Y.); fresh hams, western (N. Y.); butts, fresh; skinned shoulders; calas, fresh; cooked loin rolls, pure lard, neutral lard; calas, 6–12 pounds; fresh picnic hams, western (N. Y.); cooked rolled shoulder; shoulders, western (N. Y.); butts, regular, western (N. Y.); butts, boneless, fresh, western (N. Y.); backfat, fatbacks, 14–16 pounds; pork loins, fresh pork loins, city (N. Y.); pure lard, kettle rendered.

Twenty-four products declined between 10 and 20 per cent:

Smoked hams, 10–12 pounds average (N. Y.); smoked hams, 12–14 pounds average (N. Y.); smoked hams, 14–16 pounds average (N. Y.); shoulders, city (N. Y.); smoked picnics, heavy (N. Y.): New York shoulder; smoked shoulders; calas, 4–6 pounds bean pork, pickled bellies, hocks, tenderloins, kidneys, hog casings, f. o. s. regular; pig's foot grease, boiled calas, mess pork, clear fatbacks, family back pork; rib bacon, wide, 8–12 average and strip 4–6 average; trimmings, hearts, brains, white choice grease.

Eleven products declined between 0 and 10 per cent:

Smoked picnics, light (N. Y.); extra lean trimmings; heads; yellow grease; brown grease; breakfast bacon (fancy); smoked bacon, rib, in New York; extra lean pork trimmings (N. Y.); white A grease, white B grease; neck bones.

Fourteen products remained unchanged:

Feet, blade bones, slip bones, tail bones, stomachs, blade meat, cheek meat, tongues; hog middles, per set; hog middles (N. Y.); hog bungs, medium; hog bungs, narrow; hog casings f. o. s. (N. Y.); hog casings, extra narrow selected (N. Y.).

Four products advanced between 0 and 10 per cent:

Fresh pork tenderloins, tails, snouts, hog bungs (N. Y.).

Seven products advanced between 10 and 20 per cent:
Spare ribs; hog casings f. o. s. extra narrow; livers, frozen pork tenderloins; hog bungs, large; hog bungs, export; hog bungs, export (N. Y.).

Proper division of hog products quoted in the National Provisioner into the subdivisions of hog products used in Armour's hog tests.

The subdivisions are as follows:	Per cent.
Hams	11.89
Shoulders	10.24
Sides	8.37
Bellies	10.70
Loins	9.07
Leaf lard	1.64
Prime steam lard	10.26
Cutting products	7.35
Killing products	5.88
Total	75.40

Based on an average of 17,295 hogs of various weights averaging 274.15 pounds.
The 98 various hog products for which the quotations were given in the National Provisioner have been classified under these 9 subdivisions used by Armour & Co., and the simple average per cent of price fluctuation of the products in each of these 9 subdivisions was weighted by the yield per cent above given. The result showed the average weighted decline of the 98 products to be 20.6 per cent, as above stated. The proper allocation of the 98 products under Armour's 9 subdivisions was informally made for the commission by an expert of the Department of Agriculture.

The CHAIRMAN. Is there anything further, Mr. Colver?

Mr. COLVER. I have finished, unless there be additional questions.

Mr. TINCHER. As I understand you, you addressed a communication to the President in July, 1918, calling attention or making findings that there was an illegal combination of the packers?

Mr. COLVER. Yes, sir.

Mr. TINCHER. Considerable has been said here about the decree. Some time in August, 1918, the Attorney General of the United States started a prosecution and filed some kind of an action against the packers, or was it 1919?

Mr. COLVER. I think it was 1919.

Mr. TINCHER. Something over a year after you had filed your report?

Mr. COLVER. Yes.

Mr. TINCHER. Do you know the nature of the action that the Attorney General began; that is, what law the packers were supposed to have violated?

Mr. COLVER. As I understand it, the presentation was prepared to be made to a grand jury under the criminal side of the Sherman Act.

Mr. TINCHER. There can not be a consent decree entered in a case where a matter should properly be presented to a grand jury, can it? It must have been some kind of a civil procedure.

Mr. COLVER. As I understand it now, there will be filed a bill under the civil side of the Sherman law, and probably an answer, and a suggested form of decree will be tendered to the court, the decree to be consented to by the defendants. That is my understanding of the situation.

Mr. TINCHER. Your report was made in July, 1918, and the action commenced, or at least notice given through the press that it would be commenced; in August, 1919, the decree had not yet been entered. There were two crops, if I may call them such, of meat handled by

the packers, after your information was available and after your report was made, that the producer nor the consumer had not had the benefit of your report; is not that true? They had not the benefit of any action being taken on your report. That is the 1918 and 1919 meat crop of the United States.

(No response.)

Mr. RUBEY. Is this investigation being carried on for the benefit of the people or in the interests of politics?

Mr. TINCHER. I hope that question has no reference to politics. What I am trying to get at is this, whether the laws we have are adequate or inadequate, in your judgment. You have filed your report, and I am giving every man the benefit of the doubt. I suppose every action has been taken on it that could be taken under the law. If it has, it seems to me that our laws are very inadequate and that we should have additional legislation.

Mr. RUBEY. We do not have an investigation but what the President's name is brought into it and an effort made to find some fault, and I just wondered whether you were laying the foundation for future political effect or whether you were really trying to do something here for the American people.

Mr. WILSON. I might suggest there, for the gentleman's information, that every time anyone mentions the President's name before this committee some one takes offense at it.

Mr. TINCHER. I am not going to mention the President's name or anybody else's name. I can understand how the governor is anticipating that I was going to say something for political effect, for the reason that I have done that in the past.

Mr. RUBEY. I am judging the present by the past.

Mr. COLVER. Perhaps if I would state in a few words a sort of background situation, that then you could develop exactly what you want from me, because I want to answer your questions fully.

Mr. TINCHER. I take it you have made a careful study of this matter?

Mr. COLVER. Yes.

Mr. TINCHER. You have made investigations and have made certain reports, and it is not my business here to help to put any laws into execution but to help to pass some new ones that we need, and I want to know if you think the laws are adequate as we have them now for the handling of this situation?

Mr. COLVER. I do not. Now, if you please, let me give you just as briefly as I can the order into which this thing fell. The inquiry was authorized by Congress. The inquiry went on as rapidly as any phase of any subject could be covered, and then the report was made to the President and to Congress as rapidly as one phase or another could be rounded up, looking to violation of existing laws, the custody of which lay in the Department of Justice. That material was sent over to the Department of Justice. I can not say offhand now when the first installment went over, but it was before the 2d day of July, the date of this report.

Mr. YOUNG. What year?

Mr. COLVER. 1918. So that with respect more particularly to the Sherman law and the bearing of any facts that we turned up on the Sherman law or any breach of the Sherman law, those things were sent over to the Department of Justice.

Secondly, any violations or apparent violations or facts that looked toward violations of laws other than the Sherman law, more particularly the Clayton law, four sections of it, and the Federal Trade Commission law were set aside by the Federal Trade Commission for its administration later, because those are the laws in the custody of the Federal Trade Commission.

Those two studies then had to do with what seemed to be all the existing law on the subject. Then in between the two were those phases that did not seem to be reached by existing law, and those things have been brought up and directed to the attention of Congress for the purpose of informing Congress, as we had been directed to do with respect to any possible further legislation needed, it to be in your judgment whether needed or not.

I do not know the order which is followed in the Department of Justice, but I do know that the material went over from time to time. I know, as well as one can know who does not participate, that a constant examination was going on of the matter sent over, checking and rechecking, and sending details of this thing and explanations as to that other thing. But it is a very large subject.

Mr. TINCHER. I do not know whether you understood me or not. If there has been a violation of the law by the packers, it has been a violation of either the Sherman or the Clayton law.

Mr. COLVER. That is right.

Mr. TINCHER. You found that there had been a violation of the law in July, 1918. Assuming that everyone has done the very best they could—and I want to give everyone the benefit of that presumption—to enforce those laws, and that now we have a prospect of a consent decree against the packers, does not that make it manifest that we need some concise and enforceable legislation on this subject?

Mr. COLVER. I think so. As I said yesterday, I think the consent decree if it is good emphasizes the needs of legislation, and the consent decree if it is bad more than emphasizes the need of legislation. The matters which had to do with violations or apparent violations or indications of violations of the Clayton law and the Federal Trade Commission law were to a degree set aside by the commission, while it delivered its material to the Department of Justice and to Congress. That is to say, we put ourselves last in the service at the "third table."

Those things which have remained in the commission and which have to do with violations or apparent violations or indications of violations of the Clayton law and the Federal Trade Commission law are being carried forward in an orderly and expeditious but not hasty manner by the commission, and from time to time in the lawful way prescribed by Congress as our procedure. Formal complaints are being issued; formal complaints already have been issued covering something like 38 or 40 cases—I think 38 is correct.

Other matters are under examination, to the number perhaps of 200 different cases, of violation or apparent violation or suspected violation of the Clayton law and the Federal Trade Commission law. As those things are narrowed down now, the matters will either be dismissed or formal complaints will be issued and carried forward.

So that so far as there is existing law I think it is being enforced. That part that is in the custody of the commission, I can speak of knowledge, is being enforced.

I may say, since the question has been raised, that there has never been any question of politics in this thing, so far as I know. It is true that so far as the commission is concerned that the work was not done as expeditiously as we would like to have seen it done. It is likewise true that during that time—and I do not say this by way of excuse or anything of the sort—it is simply stating the facts, that during that time the commission was engaged in extraordinary matters, when all of us were doing extraordinary things in the prosecution of the war.

Mr. TINCHER. Here is the way I understand the proposition being presented to the committee now. Mr. Anderson, who is the author of this bill, claims some legislation is necessary. The claim will be made that the decree is sufficient, that we have sufficient laws and that there is a decree now that can be enforced and that that will be sufficient. As a member of the committee, I am trying to get facts as to whether we should pass additional laws; and I take it that I ought to have some respect for your judgment in the position you hold, and that is the reason I was asking my question. I do not think I need to indulge in anything political for the next few years in behalf of the party I belong to—I hope not.

What was your line of work before you went on the Federal Trade Commission, Mr. Colver?

Mr. COLVER. Well, 28 years or so ago I was a lawyer; and I have been in the newspaper business as a writer, editor, and publisher, on the business side of newspapers. I have been engaged in business other than the newspaper business.

Mr. TINCHER. I ask that because I was impressed with your statement and I understand now that you have had a legal training and business experience. I wanted to get at how you arrived at your conclusions.

Mr. COLVER. And to answer now your question with respect to the hearing of this decree, I say that since these five concerns are unanimous in the statement, as I read it repeatedly in the newspapers, and I think I have heard it said by some of them themselves, that in this decree they went outside the law and gave up their legal rights. And yet in the decree as I read it I see nothing improper.

If these concerns have gone beyond the law and consented that the court shall render against them a judgment not provided in the law, and yet no immoral or unethical confiscatory thing has been done, and if they consent to that, I should say that their competitors, if any, in the same business and that others in the same situation should be by law under the same control.

Mr. TINCHER. You think Congress ought to be willing to pass at least such laws as they are willing to comply with?

Mr. COLVER. I think if you can find anything these gentlemen are willing to comply with you had better make laws to cover it.

Mr. YOUNG. Your discussion of the stockyards' ownership, etc., in Chicago, was very interesting to me. Can you conceive of any reason why perfectly legitimate business concerns doing a legitimate, fair business, dealing in products grown by hundreds of thousands of people and on which millions of people must depend for livlihood—the meat products of the Nation—should go to Maine and have wheels within wheels so as to confuse and confound the public as to their operations, unless back of that kind of conduct they wanted to get

an unfair advantage both of the producers and consumers of the country?

Mr. COLVER. I can not, and the question has been asked over and over again, and explanation has been demanded over and over again. But information has been promised to the committees of Congress and has not yet been given. Not only is the public interest affected, as you say, but your revenue laws are set absolutely at defiance.

Mr. YOUNG. Then if the great concerns find it necessary to adopt such tactics as they have adopted with reference to the ownership and control of great institutions such as the stockyards of Chicago, the concentration point or the market place of millions of head of cattle and other stock, is not that sufficient reason that there should grow up a spirit of public unrest among the producers of the country who are not prospering, and a sane public unrest among the consumers of the country who claim these products are so high that they can not buy and use them. When the concerns handling these products will take such roundabout tactics so as to confuse the public, I say, is not that a reason that would justify all this spirit of unrest among those classes, consumers and producers? In other words, if those people are doing perfectly square, legitimate business, and are simply taking from the public a legitimate profit which they are entitled to for the service they render, if they would deal openly and aboveboard, so the people could know that they are only collecting from the general public a fair and reasonable profit for their services, then there would not be any trouble and all these inquiries we have had in trying to arrive at what the real facts in the case are would be unnecessary.

Mr. COLVER. I think that a great part of the public feeling of unrest and a great deal of the difficulty we are experiencing in this country by reason of public unrest does find its origin in exactly this sort of thing. I think it finds its origin here now, as it has found its origin in similar conduct by the same people under similar circumstances in the past. I do not give my opinion; I give the opinion of Senator Lodge in 1906, June 20, who stood in the Senate when legislation was pending, which I referred to yesterday, having to do with the inspection of meat for interstate slaughter, a proposal that was reasonable and proper. It has been the law now for 14 years or thereabouts. We would not go without that law now. Nobody would suggest, nobody would rise in his place in either House of Congress and suggest the repeal of that legislation.

When that legislation was pending, it was met by the same people—not the same concerns, but by the same individuals that are sitting in this room now; and they met that proposed legislation in this same way, by putting the public officers on trial, by putting the public servants on trial as being themselves subject to suspicion and their motives subject to suspicion. And then it was on the 20th of June that Senator Lodge said, standing on the floor of the Senate, "I say, Mr. President, and I say it in all seriousness, that those packers in Chicago and those owners of the Standard Oil"—if I do not quote him exactly, I am giving the substance of it, and I will give it exactly in the record later—"have done more to advance socialism and anarchism and unrest and agitation than all the socialistic agitators who stand to-day between the oceans." (Congressional Record, vol. 40, pt. 9, p. 8769, Senate proceedings of June 20, 1906.)

That is true to-day. In a similar state of circumstances, the whole thing is almost on all-fours with that situation at that time. President Roosevelt then was put on trial: Senator Beveridge was then put on trial; Members of the House were put on trial, in public opinion: and they won.

Mr. YOUNG. I have not seen anything except the newspaper report of this proposed decree. As I understand, from reading the newspapers, these concerns are agreeing to go out of unrelated business in a large way. I have specifically in mind now the ownership that they have assumed of the oil-meal industry in the cotton and peanut section of the country. Do you recall whether that ownership is to be given up in this decree?

Mr. COLVER. I think not.

Mr. YOUNG. I want to get your views as to the matter of public ownership. The South produces all the way from 11,000,000 to 16,000,000 bales of cotton annually. Out of each bale of cotton is produced one-half ton of cottonseed. Under the process of crushing vegetable oils are produced from that seed which enter into the commercial trade as a substitute for the animal fats: likewise the peanut oil, the manufacture of oleomargarine, and for cooking oils, and so on. Do you think it is good policy that men who started out originally in the handling of animal products of the country and producing the animal fats, as well as the meat, should be allowed by the Government to take over competing fats and proceed to the point where they will control both and become a monopoly of all the fats that the people must consume?

Mr. COLVER. No, I do not. That is the point I am making here, that the combination between leading commodities tends just exactly as much toward monopoly and more toward monopoly as competitors in the same monopoly. And if the law has said for all these years that a combination or union between or ownership between competitors in the same line of business was against public policy, and that has been made unlawful, then there is nothing violent, nothing extraordinary in the suggestion that the same relation should be properly prevented by law between different commodities.

Mr. YOUNG. I heartily agree with you on this proposition, but this is still a more far-reaching proposition. The cottonseed product is now practically one-fourth of the entire value of the great cotton crop. The operation of that industry is such that in the main the oil mills which crush these seeds own the gins that gin the farmers' cotton, so that if these packers by taking over the manufacturing institution that crushes these seeds and produces the oil, finally assumes control of all the gins, and they are largely reaching out that way, I am able to say from specific knowledge, then they will drive the independent ginner out of operation and he can not compete with the great financial institutions like the packers: he can not exist, because they could gin the farmers' cotton for nothing awhile if they wanted to, and that is the way those fellows are handled, usually, and after they have driven them out they can raise the farmers' price to anything they want to.

So that goes much further in violating a principle that ought not to be violated when simply handling some of the food products not related to the packing business.

Do you know of any reason why it is not contemplated to incorporate a provision in that decree that will prohibit these packers from entering that field which is not related to the meat-packing industry; is there anything in the law that would prohibit that being entered in that decree, so far as you know?

Mr. COLVER. I do not think there is anything in the law that would prohibit that being entered, but I do not think there is anything in the law that indirectly recognizes the principle of competing commodities. I think that those things that are in the decree and which are said by these gentlemen to be outside of the law, beyond the law—they say they have given up "their legal rights"—I answer you, where you say there is no prohibition in the law against the thing being in the decree, that there is no prohibition in the law, but I do not think there is any authority in the law.

Mr. YOUNG. If there is no authority in the law, then if we agree that that is a wrong thing for those packers to do, it is necessary then to have some affirmative legislation to reach a condition like that.

Mr. COLVER. I would say so.

Mr. YOUNG. It is a very, very important proposition, so far as I am concerned as one citizen. I do not want to see the packers absorb all of our oil mills and cotton gins of our country. We have absolutely millions of people engaged in that industry. When they have closed out these independent ginners and oil mills we will be at the mercy of their organization, and as a private citizen I do not want to get in that situation.

Mr. COLVER. I think that one of the things which naturally follow from what you have said is this: You touch it on one side only—that in invading the cottonseed business these concerns could well afford to do the ginning for nothing for a while in order to get control. It seems to me that features one of the very fundamental things, which is this: That if any concern, packer, or anybody else, with big earnings, big surplus, big capital resources, big credit resources, enter a field not occupied ordinarily by commercial or manufacturing giants, but ordinarily occupied and properly occupied by concerns of more modest size, that big concern, drawing its resources from some much greater industry and backed by those resources of credit, directed by the skilled men that they are able to employ, with their financial resources, marketing resources, can go into such an industry in a country populated by people of more modest size and go through it ruthlessly, and, as you say, operate at a loss for a time in order to accomplish their purpose.

That phase of it, at least, is hinted at by your question. In fact, you have stated in your question—and I think that is a proper thing to consider—and it is about the only case I can imagine where size cuts any figure, in my estimate of things. I have not the slightest complaint about size. I like to see big things; I like to see them successful; but it does seem there are the elements of unfairness when giants invade the land and the industries normally populated and occupied by concerns of smaller growth. There is not any place in the cottonseed-oil industry, if you would combine the whole thing, to make a giant of this size. Therefore, I do not think it is "happy hunting ground" of giants.

Mr. YOUNG. It not only carries with it control of the oil that is produced from the cotton seed, but goes to the whole cottonseed industry itself as to ginning. The price of that ginning ultimately and absolutely controls the price of cotton seed from which these oils are extracted, because if any combination of gentlemen should take over all of them there would be no market but that combination. So that the producers would be absolutely in their power, and it is a power that when a human being gets it we know they exercise it; and I look forward to the time when that shall be exercised to the great disadvantage of the producers and, as a policy of the Government, if we have not got the law it seems to me we ought to amend the law so it will reach conditions like that.

Mr. RUBEY. You spoke about the ownership of the stock yards at Chicago, or rather indicated that we did not know who owned them. I wanted to ask whether or not the same conditions existed at the National Stock Yards at East St. Louis and at Kansas City. Do you know whether or not the same conditions exist there as exist at the stockyards in Chicago?

Mr. COLVER. This particular device I was calling attention to has not been used in Kansas City or St. Louis, as I know.

Mr. RUBEY. Can you ascertain absolutely, or have you tried to ascertain, the ownership of the National Stock Yards at East St. Louis and at Kansas City?

Mr. COLVER. I can give it to you.

Mr. RUBEY. I just wanted to find out whether you had it or not. You say this same scheme has not been used in regard to East St. Louis and Kansas City?

Mr. COLVER. This particular device for not disclosing evidence of ownership, no.

Mr. RUBEY. Has there been any scheme of any kind to try to keep back the ownership of those two stockyards, keep the ownership hidden?

Mr. COLVER. I do not know whether there has been of late at the stockyards. There is an interesting chapter which relates to the stockyards at Kansas City, which is set out in this part 3 of the Federal Trade Commission's report, and I think you will find all these stockyard questions very fully answered there.

The CHAIRMAN. Does it give the profits of the stockyards?

Mr. COLVER. I do not think it does.

The CHAIRMAN. Then, will you kindly incorporate that in the record?

Mr. COLVER. I will be glad to do so.

(The data giving profits of the stockyards, requested by the chairman, was subsequently furnished by Mr. Colver, and is here printed in full, as follows:)

The following citations from Part III of the Federal Trade Commission's Report on the Meat-Packing Industry cover topics touched on the subject of stockyards profits:

	Page.
Capitalization of stockyards	281–282
Nonstock gifts from yards	31–36
Methods of acquiring control of yards	36–51

Chicago Stock Yards Co. and its controlled companies:
Union Stock Yards & Transit Co.— Page.
Capitalization and dividends 194
Bonus paid three big packers 1893 203
Bonus paid small packers 1893 204
Additional bonus payments 204
New Jersey company earnings and dividends (also subsidiaries) 213
Chicago Stock Yards Co. of Maine, capitalization 217
Capitalization of New Jersey company 1891 198
Acquisition of surplus earnings of the New Jersey company (also subsidiaries) by the Maine company, 1913 253
Dividends paid by the Maine company 268
Financial condition of Chicago Stock Yards companies, 1917 271–276

The CHAIRMAN. The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.10 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

(At the expiration of the recess at 2.10 p. m. the committee resumed its session.)

STATEMENT OF HON. WILLIAM B. COLVER, MEMBER OF THE FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. Mr. Rainey, have you any questions to ask Mr. Colver?

Mr. RAINEY. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. RAINEY. Mr. Colver, if I seem to interrogate you at length you will understand that I represent the Fourth congressional district, and the Big Five, we speak of, along with a number of independent packers, are all in my district, and there are thousands of people in my district who work for a livelihood in these packing industries, and naturally I am very much interested.

When Congressman Tincher asked you your business you said that 25 years ago you were in the law business, and since that time you have been continually in newspaper work. I think the point that he wished to make was whether you were ever engaged as a producer of live stock, a farmer?

Mr. COLVER. If that was the point that he was trying to make, I never was.

Mr. RAINEY. You have never been in the packing business, either?

Mr. COLVER. No, sir.

Mr. RAINEY. With reference to those warrants you spoke of by which J. O. Armour used this device in the Chicago Stockyards, you said that he had been repeatedly requested to furnish information about those warrants, and I do not know whether you said he had promised to or not, but that up to the present time neither the commission nor the Senate committee had received that information. Do any of the other packers, any of the five that we speak of, do you know whether they own any interest in the Chicago Stockyards?

Mr. COLVER. That is exactly what you are trying to find out by the question you have asked Mr. Armour. That is exactly what the committee was trying to find out.

Mr. RAINEY. But I am asking you, Mr. Colver?

Mr. COLVER. No. That is what we are saying, that it is absolutely impossible to find out in a concern organized in that way, evidenced in that way. It is utterly impossible to find out.

Mr. RAINEY. I am advised that J. O. Armour only owns one-fifth of the stock of the Chicago Stockyards. In the hearings on the stimulation of live-stock products before the Committee on Agriculture and Forestry, Sixty-sixth Congress, second session, on S. 2199 and S. 2202, part 3, on page 12, it says:

> In response to the data requested concerning the Chicago Stockyards Co. and its affiliated companies, we are unable to give the committee such information, as it is not in our possession. We have, however, called the attention of Mr. F. H. Prince to the request of the committee and are informed that he will advise the committee direct.

This is a letter from Armour & Co., signed by G. M. Willitts, secretary.

With reference to the warrants, when Mr. J. O. Armour was on the stand before the Senate committee in the Sixty-fifth Congress, third session, part 1, on S. 5305, page 779—I am making this reference if the committee care to read it—he went into that rather extensively, but the point was that he only owned 20 per cent of the stock, was a minority stockholder, and that therefore it was not possible for him to give the information that the Federal Trade Commission had requested.

Mr. COLVER. Is that a question?

Mr. RAINEY. I asked the first question, and you answered it that you did not know whether any other company owned stock in the stockyards or not, and I simply insert this for the record.

Mr. Young was interrogating you this morning with reference to the cottonseed oil business. Do you know what the packers use the cottonseed oil for?

Mr. COLVER. The packers?

Mr. RAINEY. Yes, sir. What do they manufacture from the cottonseed oil?

Mr. COLVER. They manufacture the lard substitutes.

Mr. RAINEY. Would you name some of them?

Mr. COLVER. Such as lard substitute.

Mr. RAINEY. They manufacture oleomargarin?

Mr. COLVER. Yes, sir; and butter substitutes.

Mr. RAINEY. And soap?

Mr. COLVER. Yes, sir.

Mr. RAINEY. And compound lard?

Mr. COLVER. Yes, sir.

Mr. RAINEY. Whenever they manufacture it, is in combination with meat products, is it not?

Mr. COLVER. Sometimes.

Mr. RAINEY. When do they use it otherwise?

Mr. COLVER. When they make a substitute that has no animal fat in it.

Mr. RAINEY. Like what, Mr. Colver?

Mr. COLVER. Cottonseed oil products that come straight, the regular cottonseed oil products.

Mr. RAINEY. The packers using this cottonseed oil has created quite a demand for it, has it not?

Mr. COLVER. I presume so.

Mr. RAINEY. And as a result of that demand, it has increased the price of cottonseed oil?

Mr. COLVER. If you assume that if the packers did not use the cottonseed oil nobody would.

Mr. RAINEY. No; not at all. I am assuming that the packers using it, the big packers that we speak of, assuming that they use it in the manufacture of oleomargarin, soap, and compound lard, that has increased the use of the cottonseed oil?

Mr. COLVER. Yes, sir; unless their use of it has decreased the use of it by somebody else for the same purpose. It they add to the total stock used—I do not know that.

Mr. RAINEY. If they have increased the demand, they have increased the price of cottonseed oil?

Mr. COLVER. Possibly.

Mr. RAINEY. Do you know whether any of the large packers own control of any of the cottonseed oil mills referred to by Mr. Young?

Mr. COLVER. I presume that we can go to the schedules here. I do not attempt to carry all of this stuff in my head.

Mr. YOUNG. Much is indirect ownership, but it is the money of the packers.

Mr. COLVER. I will read from part one of the report of the Federal Trade Commission on the meat-packing industry, begininng at page 303. You have asked if we know whether the packing concerns control or own stock in any of the cottonseed oil companies. This is Armour & Co., domestic cotton oil companies:

Acme Products Co., Kansas City, Kans., 100 per cent of the stock;
Alvarado Cotton Oil Mill (not incorporated), Alvarado, Tex.

Mr. YOUNG. That is right in the heart of the cotton belt?

Mr. COLVER. Yes, sir. [Reading:]

Chattanooga Oxygen Gas Co., Chattanooga, Tenn., 83 per cent of the stock;
Citizens Gin Co., Campbell, Mo., 87 per cent of the stock is owned by the East St. Louis Cotton Oil Co., which we will come to later;
East St. Louis Cotton Oil Co., East St. Louis, Ill., 100 per cent of the stock owned by Armour;
Lookout Oil & Refining Co., Chattanooga, Tenn., 83 per cent of the stock owned by Armour;
Meadow Green Gin Co., Marston, Mo., 64 per cent of the stock is owned by the East St. Louis Cotton Oil Co. I just showed a moment ago that the East St. Louis Cotton Oil Co. is 100 per cent Armour owned;
Rome Oil & Fertilizer Co., Rome, Ga., 100 per cent held for the benefit of the Armour Fertilizer Works of New Jersey;
Temple Cotton Oil Mill (not incorporated), Temple, Tex., trust certificates.
Morris & Co. holdings:
Forest City Cotton Oil Mills, Forest City, Ark., trade name of Morris & Co. of Maine;
Globe Cotton Oil Mills (not incorporated), Chicago. Ill., trade name of Morris & Co. of Maine;
Greenville Cotton Oil Mills, Greenville, Tex., trade name of Morris & Co. of Maine;
Modern Gin, Caddo Mills, Tex., operated in connection with the Greenville Cotton Oil Mills, which is the one just preceding in the list;
Pine Bluff Cotton Oil Mills, Pine Bluff, Ark., trade name of Morris & Co. of Maine.
Swift holdings:
Alamo Oil & Refining Co., San Antonio, Tex., 75 per cent of the stock;
Alvord Gin, Alvord, Tex., trade name of Consumers Oil Mills, which we will come to presently;
Arlington Gin, Arlington, Tex., trade name of Consumers Cotton Oil Mills;
Axtell Gin, Axtell, Tex., trade name of Consumers Cotton Oil Mills.;

Brighton Gin, Brighton, Tenn., trade name of Consumers Cotton Oil Mills;
Brigman Gin, Brigman, Tex., trade name of Consumers Cotton Oil Mills;
Byhalia Gin, Byhalia, Miss., trade name of Consumers Cotton Oil Mills;
Collierville Gin, Collierville, Tenn., trade name of Consumers Cotton Oil Mills;
Consumers Cotton Oil Mills, of Chicago, Ill., 5,000 trust certificates, 100 per cent owned by Swift & Co.;
Decatur Gin, Decatur, Tex., that is similar.

The rest of these that I will read, unless I indicate to the contrary, are trade names of this Consumers Cotton Oil Mills Co., of Chicago, 100 per cent Swift owned; because the designation of each one is exactly the same:

East Waco Gin, Waco, Tex.;
Elk Gin, Elk, Tex.;
Farmers Gin, Beasley, Tex.;
Fort Worth Cotton Oil Mill, Fort Worth, Tex.;
Fort Worth Gin, Fort Worth, Tex.;
Gadsden Gin, Gadsden, Tenn.;
Gates Gin, Gates, Tenn.;
Gatesville Cotton Oil Mill, Gatesville, Tex.;
Grand Prairie Gin, Grand Prairie, Tex.;
Grapevine Gin, Grapevine, Tex.;
Henning Gin, Henning, Tenn.;
Hoen Gin, Hoen, Tex.;
Houston Cotton Oil Mill, Houston, Tex.;
Itasca Cotton Oil Mill, Itasca, Tex.;
Jonesboro Gin, Jonesboro, Tex.;
Lambert Gin, Lambert, Miss.;
Levi Gin, Levi, Tex.;
Little Rock Cotton Oil Mill, Little Rock, Ark.;
Milford Gin Co., Milford, Tex.;
Planters Gin, Rosenberg, Tex.;
Planters Gin, Little Rock, Ark.;
Quinlan Gin, Quinlan, Tex.;
Ripley Gin, Ripley, Tenn.;
Scott Gin, Itasca, Tex.;
Shelby County Cotton Oil Mill Co., Memphis, Tenn.;
Stephenville Gin, Stephenville, Tex.;
Sunset Gin, Sunset, Tex.;
Turnersville Gin, Turnersville, Tex.;
Waco Cotton Oil Mill, Waco, Tex.;
West Cotton Oil Mill, West, Tex.;
Whitehaven Gin Co., Whitehaven, Tenn.;
Whitewright Gin, Whitewright, Tex.; and
Wylie Gin, Wylie, Tex.

By referring to page 296 of the same volume, part 1 of the Federal Trade Commission's report, we find the joint ownership in the cottonseed oil companies.

Bencini Cotton Oil Mills, Fort Worth, Tex., Morris has 27 per cent of the stock and Swift has 63 per cent of the stock.

Rotan Cotton Oil Co., Fort Worth and Rotan, Tex., 60 per cent of the stock of that concern is owned by the Bencini Cotton Oil Mills Co., whose name I just read.

That seems to cover some of the joint and several ownerships.

Mr. YOUNG. In my statement about the cottonseed oil business being taken over by these people I had more particular reference to the oil extracted from the seed. It goes further than that. After the oil is extracted from the seed, which is done by hydraulic pressure, you have a cottonseed oil cake which remains and this is ground back into cottonseed meal which in turn is mixed with the hulls taken

from the kernels and makes as fine stock cattle feed as there is in the world. So when the packers own these oil mills and gins and go through this process of extracting the oil, when their business is the slaughtering of cattle and the manufacturing of meat products, they get back nearer to the farm and get this feed that the stockman must of necessity have to fatten his stock with. Then, how can the stockman expect to get by with this additional power in oil and meal, if they want to exercise that power to his disadvantage?

Mr. WILSON. You have read the names of the concerns that the packers own in these various States. Can you give us the number of similar concerns that exist in those States?

Mr. COLVER. Yes; I can and shall be glad to do that.

Mr. WILSON. That would give us a comparison of the amount of business and the number of concerns operating.

Mr. COLVER. I think we have what you want right here.

Mr. ANDERSON. You can give that in the percentage of the cottonseed oil that is manufactured by these concerns?

Mr. COLVER. That is the figure that we are looking up.

Mr. ANDERSON. Seven and eight-tenths per cent of the crude and 31.8 per cent of the refined cotton oil is handled by the big packers. That is found on pages 215 and 216 of part 1.

Mr. COLVER. Yes; I have the reference here.

Of the crude oil production, Swift & Co., 4.6 per cent; Armour & Co., 1.8 per cent; Morris & Co., 1.4 per cent; total, 7.8 per cent. Of the refined oil production, Swift & Co., 10.3 per cent; Armour & Co., 8.1 per cent; Wilson & Co., 7.1 per cent; Morris & Co., 4.2 per cent; and Cudahy Packing Co., 2.1 per cent; total, 31.8 per cent.

Mr. WILSON. Have you information on the same line as to the number in the various States manufacturing this product?

Mr. COLVER. We have the eleven leading companies as to the crude-oil product, and that accounts for 43.3 per cent, leaving 56.7 per cent to be accounted for by all other companies. That is, the 11 companies that we give are the leading and largest companies and they account for 43.3 per cent.

Mr. WILSON. That is all the product?

Mr. COLVER. That is the crude product. As to the refined product, that accounts for 89.1 per cent of the total product, that accounting being the percentage of 11 leading companies, of which the five larger important packers are five and eight other concerns, ranking up in the big thirteen, the largest companies, and all others in that business account for 10.9 per cent of the total production.

Mr. WILSON. You have told us how many different plants these concerns own, control, and operate?

Mr. COLVER. Yes, sir.

Mr. WILSON. What I should like to know is the number of concerns that are owned and controlled by other people than the packers in the same territory in this same line of business.

Mr. COLVER. We have not that, but I have no doubt that we could put it in the record before these hearings close.

(Mr. Colver subsequently furnished this information, which is here printed in full.)

[Bulletin 135 of the Bureau of the Census, entitled "Cotton Production and Distribution," season of 1916-17, p. 99.]

State.	Number of cottonseed-oil mills crushing—						Total.
	Less than 1,000 tons.	1,000 but less than 2,000 tons.	2,000 but less than 5,000 tons.	5,000 but less than 10,000 tons.	10,000 but less than 20,000 tons.	20,000 tons and over.	
Alabama	18	10	15	7	3	1	54
Arkansas	1	1	9	11	15	1	38
Georgia	22	22	43	28	16	7	138
Louisiana	.....	1	10	5	3	3	22
Mississippi	5	4	10	14	12	3	48
North Carolina	8	14	29	9	5	1	66
Oklahoma	9	2	22	17	8	.....	58
South Carolina	21	20	23	9	5	1	79
Tennessee	1	.....	1	6	7	4	19
Texas	27	19	77	64	32	6	225
All other States	1	4	3	6	1	1	16
Total United States	113	97	242	176	107	28	763

Of the 763 mills operated during the season, 210 crushed less than 2,000 tons from the crop of 1916, 452, or 59.2 per cent of the total number, crushed less than 5,000 tons each, and 628, or 82.3 per cent, less than 10,000 tons each. There were 135 mills, each of which crushed 10,000 tons or more, and these together reported a little more than 50 per cent of the total quantity of seed crushed.

Mr. WILSON. That would be sufficient. Could you also furnish the committee with the valuation of the property and the amount of money invested in the property—have you that information?

Mr. COLVER. I should hesitate to promise it, but I will promise to do it if we can.

Mr. LIGHTFOOT. You read into the record the names of some of the joint and several holders of interests in cottonseed-oil mills. I should like to ask you if your records show that Wilson & Co. own any oil mills or any interest in any oil mills?

Mr. COLVER. The list which I read does not show that.

Mr. LIGHTFOOT. That was a list of the cottonseed-oil mills that you read?

Mr. COLVER. Yes, sir. The only one that I did not read is the one on page 320, Company No. 680, Burdett Oxygen Co., of Chattanooga, Tenn., address, Chicago, Ill., Wilson & Co. ownership 38 per cent.

Mr. LIGHTFOOT. That is a refinery, is it not?

Mr. COLVER. I think so.

Mr. LIGHTFOOT. Yes, sir.

Mr. COLVER. I do not think that is crude production.

Mr. LIGHTFOOT. That is what I wanted to make clear in the record.

Mr. COLVER. I would answer "No" to your question.

Mr. LIGHTFOOT. We have no interest whatever in any cottonseed-oil business; not that we have not a legal right or that it would not be proper for us to produce the raw material which they use in their manufacturing plant, but inasmuch as the inference is made that there was a combination between the packers, or the five large packers, to control the cottonseed-oil industry and the cottonseed-oil companies, I wanted to make it clear that the Wilson Co. has no interest whatever in any cottonseed-oil plant anywhere in this country. They do own the refinery where they go into the market and buy their raw material in competition with all other concerns engaged in the business, and they refine to some extent in a plant at Chattanooga.

Mr. RAINEY. Following up the suggestion of Mr. Lightfoot, I observed when you were reading from page 30 of part 1 that you mentioned Armour, Morris, and Swift, and did not mention Wilson and Cudahy. Do you know, Mr. Colver, whether or not Cudahy is interested in any cottonseed-oil mills?

Mr. COLVER. No; neither Cudahy nor Wilson come in at the crude stage, as far as we can find out; they come in at a later stage.

Mr. RAINEY. When you were reading from page 30 of part 1 about Armour, Morris, and Swift, those mills were owned separately and not in combination?

Mr. COLVER. I indicated those held in combination.

Mr. RAINEY. On page 296 you indicated that?

Mr. COLVER. I think so; yes, sir.

Mr. VEEDER. Mr. Colver, you spoke of some that were owned in combination by Armour, Morris, and Swift. Have you the record as to whether that condition still prevails, whether to-day they are owned in combination?

Mr. COLVER. We have no record of to-day.

Mr. VEEDER. I will state, for your information, that they are not owned in common, that Armour, Swift, and Morris do not own the mills in common, and that they are in keen competition with each other as they are with all other producers and oil-refining companies.

Mr. TINCHER. You mean there has been a change made?

Mr. VEEDER. At the time this report was made it was a fact that a small number of mills were owned in combination. The point as to the Armour, Morris, and Swift companies is correct.

Mr. COLVER. We are making some progress if you admit that something is true.

Mr. VEEDER. It would seem to be impossible to collect all the information you collected without having some accurate information, but, at any rate, the oil mills which were owned jointly by Morris and Swift are now not owned jointly, and Swift & Co. own no mills jointly with other packers; they are in keen competition with all of them in the business.

Mr. TINCHER. When was that done?

Mr. VEEDER. I should say that it was a year or a year and a half ago.

Mr. TINCHER. They just divided them up since you had this teriffic keen competition?

Mr. VEEDER. That is not quite true. That is a long story, and I better not go into it now. The packers originally bought these mills for the purpose of protecting themselves in getting raw material for their own manufacture against other people so as to have a product to use in their plants in making oleomargarine, lard substitutes, and other products. When they went into that business it was an experiment. None of them was willing to go very deep a good many years ago to try it out as an experiment. It developed and they used more and more of the oil in their manufacturing, and many years ago, long before this investigation was ever started, they figured out a segregation of them, which has finally been accomplished with the segregation of the last few mills here.

Mr. TINCHER. I am surprised at your saying that. I supposed that the purpose of the packers was to produce cake for the cattleman cheaper than he was getting it?

Mr. VEEDER. I think practically they have brought about that result, because we have used large quantities of oil in our business.

Mr. TINCHER. I am satisfied you have, because it has not increased over 100 per cent.

Mr. VEEDER. But they have had more cattle to sell.

Mr. TINCHER. When cattle goes down cake goes up.

Mr. HEFLIN. This dissolution of partnership was had after the President had this investigation made by the board?

Mr. VEEDER. You mean after the transfer from the common control?

Mr. HEFLIN. Yes, sir.

Mr. VEEDER. The segregation of these mills, referred to by Mr. Colver, was after these facts were collected.

Mr. COLVÉR. I did not refer to any segregation of interests; I just referred to the mills.

Mr. HEFLIN. After the Federal Trade Commission made its report the dissolution took place?

Mr. VEEDER. I think the segregation was made before the report came out, but I will not be sure. As far as the segregation was concerned it was made independently of any report or any outside matter which was carried on independently.

Mr. ANDERSON. We thought that you were going to have a change of heart?

Mr. VEEDER. In what respect?

Mr. ANDERSON. In respect to the combination of ownership?

Mr. VEEDER. There is none.

Mr. ANDERSON. You just said that you had accomplished the segregation and I hoped that that segregation was due to a change heart or policy on your part. You are trying to tell us now that it is not.

Mr. VEEDER. You should understand that the policy of Swift & Co. is not to be in combination either in ownership or operation with anybody else. There have been some instances where there have been some joint interests. For years it has been the effort of this company to segregate the joint interests, and I am not aware to-day of any interests that are owned jointly. I think that is probably true in every respect. Swift & Co. is in the keenest competition with every one of its competitors.

Mr. COLVER. There are two pages in the report of the Federal Trade Commission on the meat-packing industry, part 1, being section 7 of that part of the report, two pages which have to do with this whole cottonseed-oil industry. I think it is a bird's-eye view and would furnish the groundwork for any future discussion. I think it would be well worth while to put that in. I can read that quickly, and I think it will be interesting and runs to the questions which you are talking about.

The CHAIRMAN. Very well.

Mr. VEEDER. I want to make one correction. I said that there was no joint interest. There are two, the Stockyards Co., which we have now agreed with the Attorney General to dispose of, and there are some limited plants which are still owned jointly because of the limited amount of business. Those two we have.

Mr. HEFLIN. These things that have been called to your attention as evil practices by the Attorney General, you have agreed, you say, to discontinue?

Mr. VEEDER. I do not know that they have been evil practices, but what we have endeavored to do is to satisfy public criticism on these matters by abandoning the things which we have been criticized for doing. We have agreed to discontinue the ownership of stockyards and the segregations which have been referred to here. I do not want to go into that question, because I think the Attorney General himself is the man who should discuss that with you. I understand that he is to come here.

Mr. COLVER. Then, I will read these two pages, if it is permitted?

The CHAIRMAN. Certainly.

Mr. COLVER. On page 218, section 7, "Growth of the packers in the cottonseed-oil industry."

Acquisition of crude-oil mills—Joint purchase of "Ehle Mills."—The control of cottonseed-oil mills for the production of crude oil by the Armour, Swift, and Morris interests dates back at least as far as 1902. At that time four Texas mills were acquired by G. E. Swift, J. O. Armour, and Edward Morris, acting together either individually or for their respective companies. These were the Alvarado and Grand View Mills, in Johnson County; the Itasca Mill, in Hill County; and the West Mill, in McLennan County.

I do not find that this joint ownership took place in trying out a hazardous experiment. I find that your joint ownership was earlier than that.

Later the Temple Oil Mill, in Bell County, Tex., was bought by the same interests. The title to the land on which these mills were located was conveyed to Louis C. Ehle, at that time an employee of Henry Veeder and Albert H. Veeder, legal counsel for Swift & Co. Ehle in turn executed declarations of trust showing that he held this real estate for the benefit of Armour, Swift, and Morris.

In 1907 seven additional mills were acquired by L. F. Swift—

G. F. Swift had died in the meantime.

J. O. Armour and Edward Morris, together, either individually, or for their respective companies and the property conveyed to Louis C. Ehle. Four of these mills were in Texas and three in Arkansas. The Texas mills were located, respectively, at Gatesville, Coryell County; Houston, Harris County; Waco, McLennan County; and Greenville, Hunt County. The Arkansas mills were at Little Rock, Pulaski County; Forrest City, St. Francis County; and Pine Bluff, Jefferson County.

In 1911 the Shelby County Cotton Oil Mill (Memphis, Tenn.) was bought by Swift, Armour, and Morris for $110,000, out of profits of the oil mills already operated in their interest. The title to this property was also conveyed to Ehle.

As in the case of the earlier purchases, when the legal title to these mills was conveyed to Ehle, the latter executed declarations of trust, showing that he held the property for the benefit of Swift, Armor, and Morris. He also executed conveyances in writing of each of the pieces of real estate with respect to which he had executed declarations of trust. The names of the grantees in these conveyances were left blank and the blank conveyances or deeds were delivered to Henry Veeder and Albert H. Veeder, "with the power to at any time insert thereing the name of any grantee who might be designated by the owners of said property."

This is quoted from the statement of Ehle. There is your keen competition.

It was averred by Waterman et al. that the existence of these declarations of trust was carefully kept secret and concealed from the public, and that from the date of the conveyances mentioned above down to about March 27, 1914, Ehle continued to be the apparent absolute owner of the oil-mill property described in the deeds. Swift, Armour, et al. denied that any effort was made to keep secret the fact that they had received the declarations of trust from Ehle, but admitted that the declarations of trust were not filed for record in the several counties in which the oil mills were situated.

The Armour, Swift, and Morris interests admitted that they had purchased large quantities of cottonseed oil from them and that thereby they had been the beneficiaries of the acquisition of these properties. They also averred that though the title

was conveyed to Ehle, the mills were operated first under the title of "The G. F. Swift Oil Mills" and after the death of G. F. Swift, in 1903, until 1907 under the title of "The L. F. Swift Oil Mills." It was further averred that in the latter years the title was changed to "The L. C. Ehle Oil Mills," but that in Texas and Arkansas the mills continued to be commonly known as "The Swift Oil Mills."

It was also stated by L. F. Swift, J. O. Armour, and the executors of Edward Morris in these legal proceedings that the business conducted under the title of "The L. C. Ehle Oil Mills" was managed by Francis W. Dewson, and that on March 27, 1914, Ehle made conveyance of record of these properties to Dewson. They also asserted that from that date until June 6, 1914, Dewson "held himself out to be the owner and proprietor of said oil mills and of the business conducted therein," and that on the date last mentioned Dewson conveyed the property and business of these oil mills as follows: To Edward Tilden the Itasca, West, Gatesville, Houston, Waco, Little Rock, and Shelby County (Memphis) mills; to Charles A. A. Lling Grand View, Greenville, Forest City, and Pine Bluff mills; to Robert C Bonham the Temple and Alvarado mills.

In 1915 the State of Texas brought suit against Swift & Co., Armour & Co., Morris & Co., and certain of their subsidiaries operating in Texas and against certain individuals, alleging that the parent companies really owned the so-called Ehle oil mills in Texas, and that they were operating them in violation of the Texas antitrust laws.

As a result of the litigation the packers were enjoined, and the State of Texas appointed three receivers for the purpose of assuring the disposition of the properties in harmony with the law.

The Armstrong Packing Co., which operates a refinery at Dallas, Tex., and was controlled by Armour & Co., was not made a defendant in this suit, the fact of its control by Armour & Co. being secret.

R. J. Dunham, agent for J. O. Armour, reports that on June 30, 1917, he made an agreement with E. L. Flippen, president of the Armstrong Packing Co., purporting to be an agreement of sale of the stock of the Armstrong Packing Co. to Flippen. This agreement was not carried out, but it is alleged that a modified arrangement was subsequently entered into.

Swift Mills—Consumers' Cotton Oil Mills (not incorporated); Bencini Cotton Oil mills.—It has been mentioned on this page that seven of the so-called Ehle mills were stated to have been conveyed by Dewson to Edward Tilden June 6, 1914. These mills and one at Fort Worth, according to a report by Dewson, acting as manager, were conducted by Edward Tilden and the estate of Edward Tilden, deceased, in the name of the Consumers' Cotton Oil Mills (not incorporated) from June 6, 1914, to August 6, 1917. On the latter date a trust agreement was entered into under which the property is held and operated by three trustees for the benefit of holders of negotiable certificates or evidences of interest for 5,000 shares without nominal or par value. A certificate for the entire 5,000 shares was issued (Aug. 6, 1917) to William F. Burrows, and still stands in his name. It has, however, been indorsed in blank and delivered to L. A. Carton, who holds it for the benefit of Swift & Co.

There is a holding company managed by trustees, the ownership evidenced by certificates of trust, and the certificates of trust held by a dummy.

Mr. YOUNG. What is the name of the man holding the certificate?

Mr. COLVER. William F. Burrows.

Mr. YOUNG. I thought you said L. A. somebody.

Mr. COLVER. The certificate has been in his name, but he does not have it; he delivered it to Carton.

Mr. YOUNG. L. A. who?

Mr. COLVER. L. A. Carton, of Swift & Co.

Mr. VEEDER. May I add a word?

The CHAIRMAN. Certainly.

Mr. VEEDER. As Mr. Colver read there, the facts are correct. In 1914, which was three years before the President wrote his letter directing the investigation by the Federal Trade Commission of the packers, these mills which were owned, some of them by Morris and Swift and some of them by Armour, Morris, and Swift, were segregated, except those few mills which we call the Bencini Mills. Those still continued to be owned by Swift and Morris until within, perhaps the last year. The intention was in 1914, at the time of the mass of

the mills, to segregate; the intention was to segregate all of them, but owing to the inability to agree upon the values of the mills this bunch continued to be owned by Morris and Swift until within the last year. When those mills were owned by the three, prior to 1914, they were unwilling that they should be operated under any particular name, as they all had an interest and they were operated in the name of Ehle, and we took a declaration from Ehle of his ownership to make us good. There was not any mystery or secret as to the title to the mills. Then Ehle made a transfer of those mills to Dewson to segregate them. There was no mystery about the declaration of trust, there was no mystery or secret about the fact that the property was transferred. As a matter of fact, the deeds have been recorded. This suit that was tried in Texas required, among other things, that the mills, in the course of time, be disposed of. The mills that came to Swift & Co. came to them in a lump from Ehle. It was much more convenient to keep those mills together for the purpose of selling them because when sold the certificate could be turned over to the purchaser without having to make a deed for each specific property. Those mills are owned by Swift & Co. The certificate of ownership is held by Swift & Co. and is held by the treasurer of Swift & Co. Those mills have always, from the time when G. F. Swift died, been called the Swift Oil Mills.

Mr. ANDERSON. I would like to ask Mr. Veeder about these mills and how and when the ownership began?

Mr. VEEDER. Oh, going back to 1902, or instead of 1902 I would say that some of the mills were purchased even earlier than that. I will not be sure of the date, and if Mr. Colver has the correct date there, all right.

Mr. COLVER. It was at least as early as 1902.

Mr. VEEDER. My recollection is, though I can not state the date, that some of these mills, two or three of them, were purchased earlier. Originally some were purchased by Mr. Swift and some by Mr. Armour, and I think Mr. Morris had an interest in them. These mills furnished but a small proportion of the cottonseed oil used by the packers in oleomargarine, lard compound, and soap. Later they bought some more mills. As they had three interests it was determined that it was not quite right that they should be operated in the name of any one of the packers, and therefore they put the title and operated the mills in the name of Mr. Ehle.

Mr. ANDERSON. There was no object in concealing the original ownership of the mills, or the real ownership I mean?

Mr. VEEDER. No; and as a matter of fact, the mills have always been known as Swift mills and originally some of the mills were known as G. F. Swift, and later as L. F. Swift mills, and then when they purchased some more mills they put them in the name of Ehle for the reason I have just stated.

Mr. ANDERSON. In your judgment there would be no difference in the attitude of the producer if he had knowledge that the mill were known as a Swift mill or an Armour mill, or if a mill be owned by the three jointly.

Mr. VEEDER. I do not think that ever makes any difference. The question with the producer and the buyer of oil is simply the proposition where he can get the better price. If a mill known as X will sell at a lower price he is just as willing to buy it

from that mill as from the American Cotton Seed Oil Co. or Proctor & Gamble; or he is just as willing to sell his cotton seed to X mill as to any known concern.

Mr. ANDERSON. Well, I do not think that enters into this proposition.

Mr. YOUNG. I live in the little town of Kaufman, Texas, a great cotton-producing section, and there is a cottonseed oil mill there. And so it is with other cotton-producing counties. Now, along about the time of this anti-trust suit did not this happen: Did not the oil mills divide up the territory, or didn't they undertake to do it, and did not they lay down a dead line and did not the mill at Kaufman say that you will go so far and no further, and did not the mill at Dallas do the same thing? Did not the mill at Kaufman have its dead line and say that you must not get outside of this dead line; and the other mill at Dallas had the Dallas territory and said that the other mill must not come into its territory? Wasn't that the case at the time that Swift and Armour owned interests in the mills there, and the farmer selling his cotton seed had to sell it to the one mill located in his territory, and that was the reason for this suit?

Mr. VEEDER. No, sir.

Mr. YOUNG. I say that is true.

Mr. VEEDER. No, sir; before the Attorney General began this suit and after an investigation of those mills he found they were being operated in a very satisfactory way and that he had no complaint. His suit was based upon joint ownership.

Mr. YOUNG. I speak of the way that those oil mills undertook to do business in the early days of this industry. I say they did have this custom all over the cotton belt, and then the row was raised, and they had to go to cover because they could not defend it.

Mr. VEEDER. Swift did not do that. As to this group of mills that Swift was interested in, so far as I know and believe, they never did that. I am quite sure that they never did that. But there is this limitation, which has a decided effect in making a dead line. You can not go way down the railroad and ship cotton seed a long distance and manufacture that into products and sell those products at the market price against the man down the railroad who takes his production there and has not the greater freight rate to pay. Freight rates make certain territorial limitations. But the mills which have been owned by Swift & Co., or in which Swift & Co. has been interested, from the beginning have run their own business, and have run it independently of others. Furthermore, that business never has exceeded more than 10 per cent of the production of oil in Texas.

Mr. YOUNG. You are correct in one point of view, that the long freight haul does cut a big figure in the buying of cotton seed. But when they undertook to map out those dead lines around a certain mill and to give that oil mill that territory, then that oil mill as well as every other oil mill named the price that the farmers were to receive for their cotton seed, and the farmer could not help himself. Then when this row was made the independent buyer in my town and in every other town in Texas—and I am speaking about things I know about, because I am a cotton producer—the independent buyer comes in, and the only thing that saves the situation is that the independent comes in and buys in the Kaufman territory

and he may ship to Galveston, hundreds of miles away, and that protects the situation somewhat. But in the early days they attempted to circumscribe us and to let each of these little oil mills have its dead line.

Mr. VEEDER. I can state this in the most positive terms. What other mills have done, and they have 90 per cent of the production, I do not know. But the mills of Swift & Co., that they have been interested in, have been in no combination with any other oil mills in Texas or elsewhere. I will state that as positively as I can, and I challenge the Attorney General of Texas, and past attorneys general of Texas, who have made investigations, to present one fact that shows the contrary. Just as positively as words can express it I make that statement. The suit was never based on or started on that; and if they had had such evidence they never would have settled the suit as they did.

Mr. YOUNG. I am telling you the experience of the industry. The matter did not get far, as the whole industry raised up and it stopped.

Mr. VEEDER. I do not deny what you say as to others; I can only speak of the interest of Swift & Co., that it has in oil mills, which is 10 per cent only. I do know about those mills.

Mr. YOUNG. One step further on the general proposition. So long as they assert the right to own an unrelated interest, like an oil mill out in the cotton territory, if they persist in owning one they can own a thousand, and they are strong enough to do it. If it is admitted as a policy that these great packers can do that kind of thing, then we will be in a position where the purchaser of the raw material, the cotton-seed product, is absolutely at the mercy of the combination of packers, or of any one of them.

Mr. VEEDER. Speaking of the oil mills, of course——

Mr. YOUNG (interposing). Then you would have no market except the market of the man who owned the oil mills?

Mr. VEEDER. There are three mills engaged in the oil mill business in Texas——

Mr. ANDERSON (interposing). I would like to know if this is all coming out of my time?

Mr. VEEDER. And I am a little bit worried about my time. I do not want to use up all my time discussing these oil mills.

Mr. RAINEY. It is coming out of your time, but in my time I suppose you will be anxious to examine some gentlemen before they leave the stand, and you will have my carte blanche permission to go as far as you like.

Mr. VEEDER. As far as the product of these mills is concerned Swift & Co. uses this product and a great deal more, in the manufacture of its by-products. Originally, in the latter part of the 90's, as I recollect the date, Swift & Co. went in to protect themselves against some kind of combination that prevented their getting a sure supply of oil. They were forced into the business in self-defense. They had no ambition to go into the oil business, no desire to go into it, except to get the oil to use in connection with their meat products; and they have no desire to increase it unreasonably. Their proportion to-day is 10 per cent, and the probability is that they will never get any more.

The CHAIRMAN. Mr, Colver, you may proceed with your statement.

Mr. COLVER. Before you leave the subject it might be well to say that the public interest is affected and has been affected in quite a different way by this device in handling the properties. And that goes back to the matter we were talking about this morning of the effect of concealing ownerships of public interests; Mr. Veeder was testifying in the Circuit Court of Cook County, Ill., at the February term, 1915. This is to be found at page 270 of the summary and part 1 of the Federal Trade Commission's report on the meat-packing industry. Mr. Veeder was testifying as to how he made up the income tax for these properties in 1913, and he said:

The oil-mill property stood in Ehle's name, and it was necessary to file a return for Federal income taxation on Mr. Ehle as the owner of his own property and of the mill property, so the oil-mill manager prepared a statement of the mill-property earnings, or income statement of the mill property, and Mr. Ehle prepared in his own handwriting a statement of his own income. Both of these were handed to me and were consolidated into one income account, which was filed with the collector of internal revenue at Chicago.

That is a quotation from Mr. Veeder's testimony. Now, quoting further from page 270:

Mr. Ehle's personal taxable income, according to the exhibits produced in court and identified by Veeder, was $4,197.25; the net income shown on the compiled return, including the oil-mill income, was $53,037.71. Veeder also testified that the return was signed by Ehle, but nothing was said on the return about a trustee, and nothing was said about an oil mill. This form of return concealed from the internal-revenue officials the true owners of the income from the Ehle mills.

Now, going back to page 221, and at the top of the page [reading]:

The Swift interests——

Mr. VEEDER. Is that all of that subject? May I state a word there?

Mr. COLVER. I am not running this hearing.

Mr. RAINEY. Go right ahead.

Mr. ANDERSON. Yes; go right ahead in my time.

The CHAIRMAN. We will take care of the question of time.

Mr. COLVER. I think a general explanation of the income-tax matter would be a good use of time at this point.

Mr. VEEDER. As far as concealment of ownership was concerned, Ehle stood in ownership of some property and as trustee in others. There was no concealment in the matter of taxes, which was what the Government was interested in, and every cent of taxes due under the income-tax law in connection with that property as well as on Ehle's property was paid, every last cent, and it has been checked up by the Federal income-tax officers.

Mr. COLVER. The returns that I have seen provided for setting out what are properties held as trustee and what are not.

Mr. VEEDER. Under the original income-tax law it was optional to return it one way or the other; it was optional whether it should be reported together or separately, and it was returned as Ehle's statement of property. If he had returned them separately, the situation would have been different, because the rates would have been lower—that is, for the reason that there would not have been the same peak to it as by adding the two amounts together. But the tax has been paid on the sum of the two and checked every year. They have been very particular about checking up these mills, due

to somebody's interest in them, and they have been checked and the full amount of taxes paid. There was no concealment of the taxes or of revenue from the Government. If the Government had inquired as to the ownership, which they were not interested in, that would have been made clear as to everybody else; the bank with which they did business and the public selling of the cotton seed in Texas and all knew. They all know that they were Swift mills.

Mr. COLVER. I am now reading from page 221:

The Swift interests have also secured control of another group of seven Texas mills, in which Morris interests are also represented. These mills are operated by an unincorporated association known as the Bencini Cotton Oil Mills, with principal office at Fort Worth, Tex. The association was formed under an agreement dated March 16, 1915.

That was way past the experimentation stage.

Mr. VEEDER. They were Bencini mills.

Mr. COLVER. That got into the joint ownership, because the experimenting was over.

Mr. VEEDER. No; do not misunderstand me——

Mr. COLVER. (interposing). Let me say that—

The association was formed under an agreement dated March 16, 1915, and the trustees are C. H. Bencini, Fort Worth; Merrill W. Tilden, and Nelson N. Lampert, Chicago. Certificates of ownership covering 9,000 shares have been issued.
L. F. Swift owns in his own right——

Mr. VEEDER. Those are the mills I have just referred to which have been last segregated, so that there is no more joint ownership and by which either Morris or Bencini has any interest in the oil mills of Swift & Co.

Mr. YOUNG. There is no longer joint ownership, but the packers do own oil mills.

Mr. VEEDER. If you mean that the packers own them jointly, they do not. If you mean only by that the packers separately, then Swift & Co. owns mills in Texas and other States for the purpose of supplying itself with raw material for use in its manufacturing processes. I understand that Armour & Co. likewise own some mills and that Morris does. But we have no interest in any mills owned by Morris or Armour or by Bencini for that matter.

Mr. ANDERSON. May I ask if the mills owned by the different packers in the group of the Big Five are in competing territories?

Mr. VEEDER. Well, I am not a practical oil man, but I would say that they are. Some of them are and some are not. They are very much scattered.

Mr. COLVER. I think it was just explained that they can not compete because of the freight differential.

Mr. VEEDER. No; that is not quite correct. Where they are close together and where the freight rate does not act as a barrier, they can and do compete.

Mr. COLVER. Now, I will read a footnote on page 221 [reading]:

In June, 1918, C. H. Bencini sold his interest to L. F. Swift and the estate of Edward Morris, and certificates representing this interest were transferred to the name of H. A. Chetham and indorsed by him in blank. In October, 1918, L. F. Swift purchased the interest of the estate of Edward Morris in the Bencini Cotton Oil Mills, and on November 2, 1918, sold all his holdings in this property to the Consumers' Cotton Oil Mills (not incorporated).

That is your segregation?

Mr. VEEDER. Yes, sir. Let me call attention to the effect as to prices. Take all these oil mills which are in competition with each other, controlled by the three packers, and in the aggregate it does not exceed 7 per cent of the crush. How can that control prices?

Mr. TINCHER. Do I understand that Swift & Co. found it necessary to get raw materials; that is, to buy oil mills?

Mr. VEEDER. Yes, sir; to protect ourselves against the combination then in existence.

Mr. TINCHER. And you were very fortunate to get them. In other words, if I were, as a stock raiser, in a position to buy a packing house it would help me.

Mr. VEEDER. Many farmers are doing that.

Mr. TINCHER. But they do not last long.

Mr. VEEDER. Why, how is that?

Mr. TINCHER. I say, they do not last long.

Mr. VEEDER. Well, why not?

Mr. TINCHER. I think it is because of the packers' control of the money market which put them out of business quickly; that is my idea. I do not think they are able to get the financial help and they run against many obstacles. That is the case with the independents that have tried to run in our part of the country.

Mr. VEEDER. Why?

Mr. TINCHER. The main thing is lack of financial ability to finance the proposition.

Mr. VEEDER. That is not due to the packers. If they start in as people often do in other lines without sufficient financial backing, of course they will have financial troubles. Take the retail business, and I would say that 95 per cent of the people in that business come to grief in a definite number of years.

Mr. TINCHER. I have known a packing house that has closed down by reason of lack of credit when money was easy because of the fact that the packers controlled the channels of credit and would not extend it.

Mr. VEEDER. Well, I can absolutely deny that.

Mr. TINCHER. Well, I think you are mistaken.

Mr. VEEDER. The packers have very little interest in the banking institutions, comparatively speaking. In the cattle loan business they have never undertaken to extinguish nor interfere with any one who went into the cattle business for the purpose of——

Mr. TINCHER (interposing). I am not talking about the cattle loan business, but the packing business, a packing business, an independent packer, going to a bank to get a loan. What bank is there in Kansas City that an independent packing house can get credit from if the five big packers do not want them to have credit?

Mr. VEEDER. As far as I know, none of them would refuse to extend credit under proper conditions. I will say that so far as I know the five big packers do not own or control any bank in Kansas City.

Mr. TINCHER. They would refuse to loan money to an independent packer if the five big packers objected, wouldn't they?

Mr. VEEDER. I think if any banker made an investigation and found out that the party was all right that he would make the loan. And if he did write to any of the packers, as you found the other day, you will find that that packer will give a fair and square answer to

the letter. It is very common for people in the loaning business t inquire where a bank is ignorant of a customer who comes for a loan it is quite natural for a bank in New York to write to Wilson if the happen to be doing business with Wilson and ask about the busines of that concern, in New York, or Buffalo, or wherever it was. Tha was a very common practice. They probably wrote several othe people at the same time. And I can tell you that Wilson made a fai and square answer if inquiry was made of him, and every packer wil give a fair and square answer every time. I defy any one to show a instance when one did not.

Mr. COLVER. The state of the record seems to show, then, tha Swift & Co. and Morris & Co. went into this crude-oil business, int these crude-oil operations in Texas, as a necessary protection, as a necessary thing, not sought but forced upon themselves in order t protect themselves in the matter of their supply. Mr. Lightfoot ha just made it quite clear and the record shows that Cudahy & Co. being engaged in the same business, has not found that necessary, and Wilson & Co. has not found it necessary, and they are both quit prosperous companies.

Mr. LIGHTFOOT. I do not say that we are not at some disadvantage by not having mills to produce our supply, but I wanted to make it clear that we were not in that business.

Mr. WILSON. Isn't that true of almost all big industries? Do not the steel companies own their coal mines and iron mines and other mines that furnish the product necessary for their production? If you mention any of these big industries I think you will find that to be true. You will find that the great dry goods houses own their own woolen mills, and isn't that a sensible proposition?

Mr. COLVER. Yes, and the analogy would be something like this: If you bring up the steel industry the analogy would be for the steel company to own cement and lumber as competing building material.

Mr. WILSON. Not necessarily, but that might be true.

Mr. COLVER. Not necessarily, but that would be the analogy.

Mr. WILSON. And I do not suppose that the packers own all of the industries that help to make up their output, but they do own some of them, the same as the steel companies and the dry goods companies and all other big institutions own a part of the lines of business that they are engaged in, so I do not see what we are fussing over here.

Mr. COLVER. Integration is one thing and control of competing products is quite another.

Mr. WILSON. That is true; but would 10 per cent of this entire business control the business? If so, and you say they only own 10 per cent of it, I would like to know how that control comes about. I am very glad to have the testimony come out, as far as I am concerned, but I do not know what your are getting at.

Mr. COLVER. I am not getting at anything; I am answering questions.

Mr. WILSON. I do not refer to you.

Mr. COLVER. As for 10 per cent to-day, maybe it will be 20 per cent to-morrow. We do not see the ownerships in these related and unrelated industries decreasing, but we see them increasing, and increasing by leaps and bounds once they get started. That is the point. It may be 10 per cent at this time, yes; but what it may be a little later is another thing.

The CHAIRMAN. Are you through, Mr. Rainey?

Mr. RAINEY. No; I have hardly started, Mr. Chairman.

The CHAIRMAN. You may proceed.

Mr. RAINEY. Suppose you continue your statement, Mr. Colver.

Mr. COLVER. I do not think we had better take the figure 10 per cent——

Mr. WILSON (interposing). I was taking your figure.

Mr. COLVER. That is for crude. We better take alongside that the statement of Prof. Weld, to be found in part 5 of the hearing held by the Committee on Agriculture and Forestry of the Senate, January 9, 1920, page 104——

Mr. WILSON (interposing). Who is Prof. Weld?

Mr. COLVER. Prof. Weld is the director of the bureau of economics and research, I believe, of Swift & Co. I think he is here to-day.

Mr. WILSON. I did not know that he is a professor.

Mr. COLVER. Yes, sir.

The CHAIRMAN. You may proceed with your statement, Mr. Colver.

Mr. VEEDER. I would like to interject right there that Swift & Co. are so anxious to do things right that they have a professor of economics in their organization.

Mr. COLVER. Reading from page 104, part 5, of the hearings held before the Committee on Agriculture and Forestry of the Senate:

Prof. Weld appeared to resent what he called the implications of the Federal Trade Commission that the five big packers are getting control of a number of products other than meats. He says the five packers' output of mixed fertilizer is only 19 per cent of the country's total; only 31.8 per cent of the crude and refined cottonseed oil.

Those are Prof. Weld's figures.

Mr. WELD (of Swift & Co.). Excuse me, but those are the figures of the Federal Trade Commission that I quoted there. I was using them in connection with the fact that those are the percentages of the five packers together, and that they could not possibly represent any degree of control even if the five packers were working together, because they are such a small percentage of the total output. The point I made in that connection, however, was that the five packers were in fact in competition with each other in the handling of this relatively small proportion; and no evidence whatever has been adduced that there was collusion in the handling of these products.

Mr. YOUNG. Suppose that percentage represented the work of a man who controlled the surplus of any given product. He could control the price of that product, couldn't he?

Mr. WELD. What do you mean by "surplus"?

Mr. YOUNG. Well, for instance, I am more familiar with cotton than anything else. This country produces, say, 12,000,000 bales of cotton. We consume in this country annually, say 10,000,000 bales of cotton, and say we will have 2,000,000 bales of cotton a surplus for export, so far as our own consumption capacity is concerned. Now, does not that particular surplus control the price of the crop? Wouldn't it be true that the surplus that you control in the oil mill industry would control the price? That is all you need to control, just a little surplus.

Mr. WELD. The amount of the export surplus and the price foreign nations are willing to pay for the surplus of goods in our country will influence the market, but there is no way to say that a certain con-

cern owns or controls that surplus. It is much less true in the cotton oil business, which is primarily for domestic consumption, and there is no way at all that you can say any concern or group of concerns control the surplus over and above what is needed for domestic consumption. As a matter of fact, we use it for our own consumers in this country; it can in no sense be considered surplus. So, as I have said before, there is no control at all. That is an unfair word, because the word "control" implies collusion and monopolistic control, and there is no such thing.

Mr. VEEDER. We do not export it?

Mr. WELD. No.

The CHAIRMAN. You may proceed with your statement, Mr. Colver.

Mr. COLVER. Well, now, I have found so much time taken up on this subject that if it is agreeable, Mr. Chairman, in order not to have this abruptly ended I suggest that the reporter will insert beginning with the first paragraph on page 221 and go down to and including the second paragraph on page 223, where is similarly discussed ownerships, the method of ownership of Armour & Co., showing that they do not operate mills in their own names, but in the names of others; and of Morris & Co., and then going to the subject of cotton oil refineries, and showing that Swift & Co., Armour & Co., Morris & Co., Wilson & Co., and the Cudahy Packing Co. operate such oil refineries. That would all be covered if those very few paragraphs were put into the record at this point.

The CHAIRMAN. Without objection it may be done.

(The data referred to is here printed in full in the hearing as follows:)

The Swift interests have also secured control of another group of seven Texas mills in which Morris interests are also represented. These mills are operated by an unincorporated association known as the Bencini Cotton Oil Mills, with principal office at Fort Worth, Tex. The association was formed under an agreement dated March 16, 1915, and the trustees are C. H. Bencini, Fort Worth; Merrill W. Tilden, and Nelson N. Lampert, Chicago. Certificates of ownership covering 9,000 shares have been issued.

L. F. Swift owns in his own right 4,803.46 shares; the estate of Edward Morris 2,404.25 shares; and the remainder (1,787.31 shares) are owned by C. H. Bencini in his own right.[1]

This association operates seven crude oil mills, all in Texas, at the following points: Brady, Brownwood, Dublin, Stephenville, Hico, Hamilton, and Coleman.

The Alamo Oil & Refining Co. operates a mill at San Antonio, Tex., and the Rotan Oil Co. one at Rotan, Tex. C. H. Bencini holds all but 4 of the 1,000 shares of stock of the Alamo company, 748 of which are held by him for Louis F. Swift. The company was incorporated in May, 1907. The Rotan company was incorporated October 30, 1916, and the mill was operated for the first time during the season 1916–17. The capital stock is $50,000, and C. H. Bencini holds $50,000 of this for the Bencini Cotton Oil Mills.

In addition to the mills which have been mentioned, which are controlled indirectly, Swift & Co. own and operate in their own name oil mills at Columbia, S. C., and Atlanta and Augusta, Ga. The mill at Columbia was acquired in 1911, the Atlanta mill in 1913, and the Augusta mill in 1915.

Armour mills.—Armour & Co. does not operate cotton-oil mills in its own name, but controls several mills through its representatives. Two of these are the mills at Temple and Alvarado, Tex., which have already been referred to as conveyed to Robert C. Bonham by Francis W. Dewson, who was manager of the so-called "Ehle mills."

[1] In June, 1918, C. H. Bencini sold his interest to L. F. Swift and the estate of Edward Morris, and the certificates representing this interest were transferred to the name of H. A. Chetham, and indorsed by him in blank. In October, 1918, L. F. Swift purchased the interest of the estate of Edward Morris in the Bencini Cotton Oil Mills, and on Nov. 2, 1918, sold all his holdings in this property to the Consumers' Cotton Oil Mills (not incorporated).

This conveyance, according to the statement, was made June 6, 1914, and according to reports made by the managers of the Temple and Alvarado mills, respectively, R. C. Bonham is proprietor and holds for the benefit of Armour & Co.

The Rome Oil & Fertilizer Co. produces crude cottonseed oil at its plant in Rome, Ga. This company was incorporated in October, 1905, and was acquired by the Armour interests not later than September, 1909. It is reported as "Armour owned," and F. W. Croll, treasurer of Armour & Co. holds as trustee $79,616.67 of the $100,000 capital stock.

The East St. Louis Cotton Oil Co. was incorporated in 1903, and control was secured by the Armour interests through purchase of stock in 1912. The total capital stock is $250,000, all of which is held by Armour & Co. The mill is located at National Stock Yards, Ill.

The Richmond Cotton Oil Co. mill at Kennett, Mo., was bought by the East St. Louis Cotton Oil Co. August, 1917.

The Lookout Oil & Refining Co., which operates an oil mill in connection with the refinery at Chattanooga, Tenn., also reports that it operates the Corinth oil mill at Corinth, Miss. An affiliated concern is the Chattanooga Oxygen Gas Co., operating a fat-hardening and oxygen-gas plant. The Lookout Oil & Refining Co. was incorporated March 25, 1916. F. W. Croll, as trustee for Armour & Co., holds $291,667 of the $350,000 capital stock.

Morris mills.—Francis W. Dewson, on June 6, 1914, according to the statement cited above, conveyed to Charles A. Alling four mills of the Ehle group—namely, those at Grand View and Greenville, Tex., and at Forest City and Pine Bluff, Ark. These mills are not operated under the name of Morris & Co., except the mill at Grand View, Tex., which was disposed of after the season of 1914–15.

Acquisition of cotton-oil refineries.—Swift & Co. operate cotton-oil refineries under their own name at Atlanta, Ga.; Charlotte, N. C.; Harvey, La.; Memphis, Tenn.; and also at three packing centers—namely, Chicago, Kansas City, and Fort Worth. The dates of acquisition or of starting the refineries at the four points first mentioned are given as follows: Memphis, 1905; Charlotte, 1907; Harvey, 1911; and Atlanta, 1916.

Armour & Co. operate cotton-oil refineries in their own name at Chicago, Kansas City, Fort Worth, and Jersey City. The production of refined cottonseed oil was not begun at the last-named plant until 1917. The Lookout Oil & Refining Co., also operate a refinery at Chattanooga. Production at this refinery did not begin until the season of 1915–16, the company not having been incorporated until March, 1916. The Armstrong Packing Co., of Dallas, Tex., now apparently controlled by Armour-Flippen interests (see pp. 220 and 285) also operates a cotton-oil refinery.

Morris & Co. operates refineries in its own name at Chicago, Kansas City, East St. Louis, and Oklahoma City.

The Cudahy Packing Co. operates cotton-oil refineries in its own name at Kansas City, Omaha, and Memphis. The refinery at the point last named began operations in 1914. It was acquired by the Cudahy Packing Co. of Illinois, and is now held and operated by the Cudahy Packing Co. of Maine.

Wilson & Co. (Inc.) operates cotton-oil refineries in its own name at Chicago, Oklahoma City, and Chattanooga. Apparently the Chicago and Chattanooga refineries have begun operations only recently, since the company gives production returns for these refineries only for 1916 and 1917.

Mr. RAINEY. Mr. Colver, I think on yesterday when you were being interrogated with reference to Government ownership of packing companies it was asked whether you or the Federal Trade Commission favored Government ownership and you said you did not. Is that correct?

Mr. COLVER. I stated it without any question being asked me on the subject.

Mr. RAINEY. On page 77 of the summary and part 1 of the Federal Trade Commission's report they, the Federal Trade Commission, suggest that the Government acquire (1) the stock cars; (2) the stockyards and adjuncts; (3) the privately owned refrigerator cars; and (4) such branch houses, cold-storage plants, and warehouses as are necessary to provide facilities to be operated by the Government as public markets.

Is that the recommendation of the Federal Trade Commission?

Mr. COLVER. That is the recommendation by the Federal Trade Commission. But the whole recommendation by the Federal Trade Commission was that it acquire them through the Railroad Administration, on the theory that these things are properly transportation functions. The railroads at that time, being in the hands of the Railroad Administration, were not able to acquire these things themselves and if these things were properly transportation functions and utilities—and the commission feeling that they should be in the hands of the railroads—the only way to get them into the hands of the railroads at that time was through the Railroad Administration, which was under Government control.

Mr. RAINEY. I am going to call attention to part 5 of the hearing held by the Committee on Agriculture and Forestry, United States Senate, January 9, 1920, under the heading "Stimulation of live-stock products" and at page 67 thereof. You were discussing the mimeograph witnesses brought by the packers. I think you so referred to them and you referred to—

A man named Everett C. Brown, Chicago, came before this committee and said he was the president of the National Live Stock Exchange at the Chicago stockyards. Mr. Brown is a member of the Brown & St. John Co., a commission firm at the Chicago stockyards.

Now, gentlemen of the committee, his argument was one against license control of any sort of stockyards or commission men. Without reading his testimony you will remember his argument was that the association itself, of the commission men, could police themselves much more efficiently than anybody else could, and he said, after testifying along that line, that the Big Five were active competitors of each other and with the smaller packers, and all that sort of thing; that the commission men were now under license of the Department of Agriculture, and that the Department of Agriculture did not police them at all, that they took care of themselves. He left the witness stand here sometime about 1.30 o'clock in the afternoon, and at 3 o'clock that afternoon he was down in the office of the Solicitor of the Department of Agriculture asking them not to enforce penalties against Chicago commission men, who were then under charges in the Department of Agriculture for defrauding their clients—that is, their shippers of live stock, by extortionate charges, defrauding them out of their proper returns for live stock.

On this subject I will say that I believe there has been a Senate inquiry directed to the Department of Agriculture to find out how many such instances there are, and how prevalent the custom is where this self-policing has resulted in people having taken money from the farmers which they should not take.

Then, on page 129 of the same volume, there is printed a letter which Mr. Brown wrote to Senator Gronna, the chairman of the committee, denying the statement that he was before the committee at 1.30 and rushed down to the Department of Agriculture at 3 o'clock. I think he says in his letter that he was at the Department of Agriculture in the morning and that he testified in the afternoon.

And you say further, at page 67:

In this connection I believe there is a classic case where one concern alone was compelled to send back something like $23,000 to live-stock shippers, but all of it will come out in detail when the Department of Agriculture answers the inquiry that has been sent to it.

Anyway, Brown left this committee, having said that the whole theory of control or supervision or even knolwedge on the part of the Government of what went on in the market places for live stock in this country was all wrong, because the commission men could police themselves better than the Government could, and that he himself had repeatedly jacked the Government up to enforce the regulation. Yet at 3 o'clock he was down at the Department of Agriculture asking that the charges against those men, those commission men, for defrauding their clients be deferred until after the Senate hearing, on the ground—he is quoted as saying—that any action by the bureau of the Department of Agriculture would "raise hell" with the packers.

Now, Mr. Colver, Mr. Brown in his letter states he was at the Department of Agriculture in the morning and that he testified before the Committee on Agriculture and Forestry of the Senate in the afternoon. This classic case that you speak of—and the reason I ask this question is because I know something about that case, and I was interested in it——

Mr. TINCHER (interposing). What is the question asked the witness?

Mr. ANDERSON. Are you objecting because Mr. Brown was down there in the afternoon instead of in the morning?

Mr. RAINEY. No; but there is a contradiction there, if you want to know. Mr. Brown takes exception by a letter which he wrote and which is printed at the end of the hearing and which I will read later on. The point I am making is that the inference given to this is that Mr. Brown came here in the interest of the packers and that Mr. Colver was discrediting Mr. Brown's testimony on the ground that he was interested in the packers, whereas I want and will be able to show directly the contrary. I was interested in the classic case Mr. Colver referred to, and that is one of the reasons why I am opposed to license by the Government or Government commission.

Mr. ANDERSON. I suggest if that is the case that you do the testifying instead of asking Mr. Colver, because he does not know anything about that, as far as I know.

Mr. RAINEY. I desire to call his attention to the letter Mr. Brown sent to the chairman of the committee, to prove that Mr. Brown was not at the Department of Agriculture in the afternoon.

Mr. ANDERSON. Then he was there in the forenoon?

Mr. RAINEY. Yes.

Mr. ANDERSON. Well, if you think it important, say he was there in the forenoon instead of in the afternoon, and that is all right.

Mr. RAINEY. Another point: Some firms filed suit against the Government the same day that Mr. Brown was there, and the inference is that as a result of Mr. Brown's visit to the Department of Agriculture and not being able to help these other concerns that were in trouble they filed suits in Chicago. Whether they filed suits in the afternoon or in the morning, or whether Mr. Brown wired them after his visit to the Department of Agriculture and that they then went in to enjoin the Government, is a matter I want to clear up. The inference is that that is what was done. The truth is that they did file suits, and did enjoin the Government, and the court decided that the Bureau of Markets had no right to insist that those commission men return the money to the Bureau of Markets to be distributed. I explained this to the committee once before, just casually in passing, when I spoke about my opposition to a license or a commission.

Here are the facts in this case, and I think it interesting to know and to say that instead of the packers controlling Mr. Brown and he being down here trying to prevent prosecution of these other commission men, that on the contrary Mr. Brown, after the Bureau of Markets gave a clean bill of health to the gentlemen referred to in the classic case, instead of Mr. Brown trying to protect these commission men after the Government had exonerated them, this same Mr. Brown called a meeting of the live-stock exchange at Chicago and expelled them. They were in business 37 years and he expelled

the members of this firm, one was suspended for a year, the other put out of business.

Mr. ANDERSON. May I ask a question there?

Mr. RAINEY. Certainly.

Mr. ANDERSON. If the Government decided that this money was no wrongfully taken from anybody, why did the Exchange expel them

Mr. RAINEY. That is what I brought to the attention of the Bureau of Markets. The Government did not expel them but the live-stock exchange, of which Mr. Brown was the president, did. He is presumed to be in the control of the packers and trying to prevent the prosecution of these other men, and yet it was Mr. Brown who expelled this concern that I speak of. So that instead of trying to protect those commission men in this particular case that I am so familiar with he expelled them after the Government had exonerated them.

Now, here is one of the reasons why I object to licensing: In public law No. 41, Sixty-fifth Congress, when the Government of the Bureau of Markets took over control of the stockyards and had the right to license them, the law reads:

> Whenever the President shall find that any storage charge, commission, profit, or practice of any licensee is unjust, or unreasonable, or discriminatory and unfair, or wasteful, and shall order such licensee, within a reasonable time fixed in the order, to discontinue the same, unless such order, which shall recite the facts found, is revoked or suspended, such licensee shall, within the time prescribed in the order, discontinue such unjust, unreasonable, discriminatory and unfair storage charge, commission, profit or practice.

In other words, the Government said before it would revoke anyone's license a notice would be served giving him a certain length of time to discontine the practices. After that certain length of time, if they failed to do so, then the Government would have a hearing, and if they proved their charges the license would be revoked.

In this classic case Mr. Colver tells about, I want to explain it now, because Mr. Colver said they would hear more about it because it was referred to the Department of Agriculture. These men were accused of overcharging shippers of cattle for feed. They never received any notice to discontinue the practice. The only notice they received was that on a certain day a hearing would be held by the Government. Then they came to me. Two members of the firm were in California, one of them ill. Another member, who was my friend—we were hungry, barefooted boys together up in this fourth congressional district that I represent—he came to me, and because of my interest and friendship for him I became interested in the case, and I called up Mr. Brand, who was then head of the Bureau of Markets, and I asked him with reference to this law, if the Government should not have served notice upon them for violation of these provisions and given them a chance to correct any abuse, if there had been any abuse. I asked him if he would not continue the case until such time as these people could get back from California. He told me no; that the hearing was set for Chicago for such and such a day—and the notice only came a few days previously—and that they were going ahead. The hearing was held and representatives of the Department of Agriculture went out there. These men, in order to avoid publicity because their business would be destroyed if it became public property amongst the shippers of the country that they had gotten into trouble with the Government and they did not

want their business destroyed, admitted that what the Government alleged was true.

Now, here is what the Government alleged: That they were overcharging for hay. When a shipper sends in cattle to a commission man, the commission man feeds those cattle hay. Now, those cattle may be sold hurriedly, and consequently some hay may be left over in the pens. That hay belongs to the shipper, if he wants to take it with him. But he can not take it along with him. He does not want to take it out and burn it, and he abandons it——

A VOICE (interposing). He might eat it.

Mr. RAINEY. Yes; he might eat it, but it would be a pretty big task to eat all the hay that they have out there. But he abandons it and leaves it in the pen. These commission men have certain pens that belong to each firm. Consequently somebody else's cattle are put into that pen. If there is not enough hay, the bins are filled again, and the second shipper is charged with a certain amount of hay. If the commission man failed to feed the second shipper's cattle and did not feed them hay and did not render a bill for hay, the second shipper would complain because they should have been fed; and if fed, the cattle get thirsty and drink a lot of water and weigh more. That is the practice that these people were found guilty of. Morally, I do not think there was anything wrong about it. That is the classic case to which Mr. Colver refers.

I came to Washington and saw Mr. Houston, who was then head of the Department of Agriculture; I saw Mr. Brand, and Mr. Williams, the attorney. Now, then, if Mr. Brown was interested, as has been suggested, in those commission men out there he would have tried to prevent this particular firm from being put out of business. Instead of that, after they had made their peace with the Government and the Government was perfectly satisfied after they had accomplished their point by a discontinuance of this practice, and after this firm had paid back to the Government what money was wanted, Brown, presumably the man protecting these different commission men, called in Chicago a meeting of the live-stock exchange and expelled this firm. That is the point that I had in mind.

Mr. TINCHER. Is Mr. Brown here?

Mr. RAINEY. No, sir; but there is a letter here from him.

Mr. TINCHER. We ought not to try him in his absence.

Mr. RAINEY. We do not have to try him.

The CHAIRMAN. Is it possible that the live-stock exchange can expel a commission man for the cattle not cleaning up the hay?

Mr. RAINEY. No; they expelled them for charging twice for the same hay.

The CHAIRMAN. I did not understand the gentleman to explain it in that way.

Mr. RAINEY. Yes; I think I did.

The CHAIRMAN. They charged for hay never delivered?

Mr. RAINEY. No, sir; the hay was in the pens.

The CHAIRMAN. I can not imagine that any exchange would do a man that injustice.

Mr. TINCHER. I do not think you understand Mr. Rainey, Mr. Chairman. He says they charged twice for the same hay.

The CHAIRMAN. All right.

Mr. RAINEY. Yes; the first man abandoned the hay and it was left there in the bins, and then the second shipper's cattle came in. There was not a sufficient amount of hay, and so they filled up the bins in order that the stock of the second shipper might have hay to eat. The commission firm, however, were getting a sort of double charge on that hay.

The CHAIRMAN. They charged two shippers for the same bale of hay?

Mr. RAINEY. Not for the same bale, but for the hay that was not eaten up by the first man's cattle.

Mr. TINCHER. I suppose the packers drove the cattle out and killed them before they had a chance to eat up the hay, then they would not weigh so much.

Mr. RAINEY. The representative of the farmer sold the cattle probably sooner than was anticipated. The point I wanted to make was this——

The CHAIRMAN. Can you state the amount? Is it not a fact that one firm paid back over $20,000 to a shipper and that one check amounted to more than $900? Would not that be enough for a considerable number of bales of hay?

Mr. RAINEY. This firm is the third largest firm in the commission business——

The CHAIRMAN (interposing). I do not think we should give the name of the firm.

Mr. RAINEY. No; I have refrained purposely from doing that.

The CHAIRMAN. All right.

Mr. RAINEY. The question I wanted to ask here of Mr. Colver was: You referred to Mr. Brown as being one of the mimeograph witnesses that came in, didn't you?

Mr. COLVER. Yes; I think so.

Mr. RAINEY. Then the comment here was that any action by the bureau of the Department of Agriculture would "raise hell with the packers"?

Mr. COLVER. Something like that.

Mr. RAINEY. Now, then, if Mr. Brown suspended these very commission men that I have just spoken of that would not look very much like he had been attempting to protect commission men who had been guilty of any practices that the Government deemed reprehensible, would it?

Mr. COLVER. If he was down at the Department of Agriculture trying to stay the hand from 11 of them it would look as though he was.

Mr. RAINEY. I want to read for the benefit of the members a letter from Mr. Everett C. Brown, the gentleman we have spoken of——

Mr. COLVER (interposing). Of course, as to whether he testified first and went down to the Department of Agriculture afterwards, or went to the Department of Agriculture and testified afterwards, that may be so material as to be serious. There is a difference of opinion between Mr. Brown and myself. As to his being a mimeograph witness, I do not think there is any difference anywhere.

Mr. RAINEY. There is the suggestion of suits filed in Chicago the same day.

Mr. COLVER. Yes, sir.

Mr. RAINEY. Suppose they were filed before Mr. Brown visited the Department of Agriculture?

Mr. COLVER. Well, suppose they were. He makes his visit to the Department of Agriculture in the morning and I make it in the afternoon. If he makes it in the morning, certainly they did not file them before he was there. If you take his version you have him in trouble, and if you take mine it may be different.

Mr. RAINEY. Suppose they were filed in the morning before he was there?

Mr. COLVER. Suppose they were.

Mr. RAINEY. There would then be no inference.

Mr. COLVER. Well, I don't know that.

Mr. RAINEY. That is what I am asking you, whether or not you know the time when the suits were filed in Chicago?

Mr. COLVER. No. But take his version and you have him in trouble; take mine and he has a chance to get out, although it is a slim one.

Mr. RAINEY. I do not think it necessary to read the letter that Mr. Brown wrote, I will ask that it be inserted in the record following this discussion. It is to be found on page 128.

(The letter referred to is here printed in full in the record, as follows:)

THE NATIONAL LIVE STOCK EXCHANGE,
UNION STOCK YARDS,
Chicago, January 12, 1920.

Hon. ASLE J. GRONNA,
Chairman Committee on Agriculture and Forestry,
United States Senate.

SIR: My attention has just been called to a statement in the Chicago Daily News under date of January 9, 1920, to the effect that Federal Trade Commissioner Colver at a recent hearing of your committee, had stated among other things:

"Everett C. Brown, president of the Chicago Live Stock Exchange, criticizing Government regulations, said that the Department of Agriculture had not pushed prosecutions against brokers who wrongfully withheld money from their clients. An hour after he told you that he was in the Solicitor's office at that department asking them not to prosecute certain live stock men on that charge because it would raise hell with the packers.

"When he failed to gain his point, injunction suits, prepared in advance, were filed to save the department's prosecution."

The statement that I urge the solicitor not to prosecute certain live-stock commission men "because it would raise hell with the packers" is untrue. I appeared before the solicitor on the morning of August 23, 1919, and it was not until the afternoon of that day that I appeared before your committee, as your records will show. The occasion of my visit to the solicitor was to ascertain what, if any, evidence he had which justified the revocation of the license of several commission concerns who had been notified that their licenses to do business would be revoked if they did not turn over to the Bureau of Markets for distribution by given date certain sums of money. I was unable to secure any satisfactory information from the solicitor on this point, and then inquired why it was that he was proceeding so drastically against the concerns mentioned, against whom there was no evidence, when the department had failed to revoke the license of a concern which had been clearly shown, by evidence collected by the department itself and by that concern's own admissions, to have been profiteering, and which firm had been expelled from the exchange for such misconduct on that evidence.

Inasmuch as I have received no satisfactory explanation from the solicitor for his failure to revoke the license of this expelled member of the exchange, I concluded that the matter ought to be called to the attention of your committee. This I did.

Never at any time or place have I stated that the prosecution of live-stock commission men "would raise hell with the packers."

It is true that suits for injunction to restrain the Secretary of Agriculture from revoking the license of the concerns discussed by me with the solicitor, and which had denied any wrongdoing and concerning which the solicitor for the department had and produced no evidence of wrongdoing, were filed and the district court a Chicago granted the injunctions prayed for.

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In the case of the concern whose license, in my opinion, should have been revoke by the solicitor, there was abundant evidence of profiteering which had been gathere by the department and which was admitted to be correct by the concern and whic was used by the Chicago Live Stock Exchange as a basis for its expulsion from membe ship. There was not and there is not, so far as I have ever been advised, evidenc against any of these other concerns on whose behalf the bills for injunction were filed

Now, as to Mr. Colver. It is a very serious matter for a man exercising the vas powers of a Federal Trade Commissioner over the business of the country to mak statements which slight investigation on his part would show to be loose, unfounded and false. Such conduct can not be too severely condemned. The position whic Mr. Colver occupies gives to his statements a weight for good or evil which as a individual they would by no means have. It must seriously react against the powe and influence which the Federal Trade Commission should otherwise have to hav one of its members indulging in loose and unfounded invective to secure prominenc in the public press, where the orderly discharge of his proper function would no secure that attention for him. It is, indeed, a serious menace to the business interest of the country, to say nothing of the reputation of the business men involved, to b placed at the mercy of one whose desire for publicity permits him to entirely forge the duties of his position and do incalculable harm to advance his own individua ends.

I feel that the statement attributed to Mr. Colver should not go unchallenged. I should regret exceedingly if it was given any weight by your committee. If it is to be considered at all, I, of course, desire to appear before your committee and refute it. I stated it to be absolutely without foundation and wholly untrue, excepting in so far as it states that I did appear before the solicitor and that I did testify before your committee. The purpose of my visit to the solicitor I have explained above.

I am sending a copy of this communication to Mr. Colver and also a copy to the solicitor for the Department of Agriculture. I shall be ready at any time that your honorable committee may set to appear before it either with or without the presence of Mr. Colver and the solicitor or any other persons who may pretend to have any knowledge of what occurred.

Very truly, yours,

E. C. BROWN.

Mr. HULINGS. Mr. Chairman, I have been curious to know what a mimeograph witness is?

Mr. RAINEY. Mr. Colver will tell you that. He used the expression, not me. Will you tell him, please?

Mr. COLVER. Why, yes. The device of a mimeograph witness is a new one evolved by the Institute of American Meat Packers. When witnesses were coming on for the hearing before the Committee on Agriculture and Forestry of the Senate, before they came on the stand—and I think there were something like 189 or 188 perhaps. witnesses in all, and of those 188, 144 were produced by the packers, and the plan seemed to be this: A witness would come to town, and he was taken or went to a hotel, and then was taken to the offices of the American Meat Packers Institute, and later made his appearance or did not make his appearance on the stand before the Senate committee. If he made his appearance on the stand before the Senate committee, there was distributed in advance a mimeograph copy of what purported to be his testimony. In one instance at least the testimony that a witness would deliver at 10 o'clock the next morning was released the night before. Such witnesses as that I call mimeograph witnesses.

Mr. RAINEY. What witness was that?

Mr. COLVER. I do not remember. But there is no denial of that.

The CHAIRMAN. What was that institute to which you referred?

Mr. COLVER. It is the Institute of American Meat Packers. It is a packers' welfare organization and publicity department, and so on; several things.

Mr. YOUNG. Is that the same concern that published an article in the morning Washington Post about the hearing here?

Mr. COLVER. I have no doubt it is. There is a statement that appears almost every morning that is given out.

Mr. YOUNG. I wondered this morning when I read it what it was.

Mr. LASATER. May I hand that in now?

Mr. RAINEY. Does it state where it is from?

Mr. LASATER. Yes, sir.

Mr. YOUNG. I believe that ought to go in.

The CHAIRMAN. The whole article?

Mr. TINCHER. Let us see if we can not eliminate some of it. I suppose the packers have a press man probably who wrote that; and it is probable that they have more than one press man. If they have one press man and he is here, some one man representing all of the packers at this hearing, he can tell us about it.

Mr. VEEDER. Are you asking that question of me, Mr. Tincher?

Mr. TINCHER. If you know, but I do not know whether the attorneys would know about that or not.

Mr. VEEDER. I can say that there is an office here in Washington. There is an association in this country known as the Institute of American Meat Packers, which is composed of something like 200 packing companies. That institute has an office here in Washington. Now, when those hearings were on in September there were something like 200 witnesses who came down here, and many of them came to that office, and they were asked to tell in advance what they were going to say, and many of them left with the institute a statement of what they were going to say. That statement in many cases was handed to the press. I would like to ask whether the Federal Trade Commission itself was not the originator of that idea, of putting out releases several days or weeks in advance of what they intended to publish. I have a collection of information in my office that would indicate that they are in the habit of putting out releases weeks in advance for the press to use, just as these men did. These men followed that idea.

Mr. COLVER. The only difference being that those men did not do it and you did it.

Mr. VEEDER. How is that?

Mr. COLVER. The only difference being that those men did not do it and you did it.

Mr. VEEDER. The Institute of American Meat Packers handed those to the press associations in many instances.

Mr. COLVER. You were not giving out something you were going to say but something somebody else was going to say.

Mr. VEEDER. At their request.

Mr. COLVER. The difficulty with that was, that the mimeograph part of their testimony became public and the very interesting cross-examination did not become public; this automatic reporting of the hearings worked against a reporting of some of the most interesting things that occurred there. These witnesses that came to town and happened to get up to the Institute of American Meat Packers——

Mr. VEEDER (interposing). I call attention that we would hardly be able to put out a cross-examination that was going to take place the next day.

Mr. COLVER. I do not think you could.

Mr. VEEDER. If the press failed to get that we could not help it. They were supposed to get the proceedings each day. But one

handing to the press in advance a speech or a statement that he is going to make is not new, as I am sure the Federal Trade Commission understands.

Mr. LASATER. May I ask Mr. Veeder state who is the president of this Institute of American Meat Packers?

Mr. LIGHTFOOT. Mr. Thomas E. Wilson is the president of the Institute of American Meat Packers. I will say that this institute is composed of approximately 200 packers, including the five largest packers, and the other 195 being the smaller packers who are "existing as a matter of sufferance," in the view of the Federal Trade Commission, and who have joined with the other members of this industry to refute the charges which have been made by the Federal Trade Commission and the erroneous conceptions that have been created in this country by reason of the deductions and the facts collated by them in their report.

The Institute of American Meat Packers have an office in Washington, established primarily for the purpose of doing what they can in an honorable and legitimate way, not only to bring to the attention of the Congress but to the people of this country at large the truth about this great industry, which they feel, not only the large packers, but the small ones, is being driven on the rocks by the passions and by the erroneous ideas and conceptions that have been created by reason of this agitation. There is no secret about that; and it is a proper and legitimate action on their part from their standpoint. There is a great deal of misinformation over the country that has been generated out of these things, and it is for the purpose of doing what they can in a proper way to bring to the attention of the country the facts. That is one of the purposes in connection with this industry in having this office in Washington.

I want to say, though, that as far as Mr. Wilson is concerned, he has not been present at any of these hearings. He has not had any hand in the preparation of any statement for any witness. He has had nothing to do with giving out any of their statements. But even if he had, it would not have been an improper service for him to render any producer or any other witness who might come here and desire to have counsel and advice and assistance in appearing before these committees, and in bringing before them the facts which they have to state.

I do not think that the Institute of American Meat Packers needs any defense at my hands, but I am glad to say that Mr. Wilson was the unanimous choice of this association at their annual meeting at Atlantic City for this honor. He did not seek it; really he tried to get out of accepting it, but when all of the packers, realizing that the industry was in jeopardy by virtue of the continued agitation and assaults that had been made upon it, felt that he was the proper man to fill that position and unanimously choose him for that honor, he accepted, and he has served to the best of his ability in that place.

Mr. HUTCHINSON. Does any other organization have an office in Washington?

Mr. LIGHTFOOT. Yes, sir.

Mr. HUTCHINSON. For instance, the farmers?

Mr. LIGHTFOOT. Yes, sir. I think one of the most aggressive opponents of the packing industry maintains a bureau here, and probably some of their representatives, which is their right, are

present. We do not criticize that; it is their privilege to appear before committees and state their positions.

But the only thing the packers complain about is the false impressions that have been created and the misinformation that has been scattered through this country as to this great industry, and we feel that a situation has been produced where practically this great industry, which is one of the most vital to this country, is being driven on the rocks, and unless some sanity is exhibited, some consideration given to these great problems stripped of the misconceptions that exist, then you are going to do an irreparable injury to one of the greatest and most important industries in this country.

Mr. RAINEY. The farmers have an association here?

Mr. LIGHTFOOT. I understand that they have; and furthermore, this institute is not an unusual thing. The steel industry has an institute, and a great many other of the basic industries in this country have institutes.

Mr. ANDERSON. As to the steel institute, do all of the steel makers belong to it, and do all of the packers belong to this institute?

Mr. LIGHTFOOT. I think about a dozen of the smaller packers do not belong to it, but at least the small packers, whom we are charged with destroying or are permitting to exist merely by sufferance, realize that that charge is unwarranted, that there is no basis for it, and that whatever injures the large packer will injure them, and they have joined together in this institute. It is not really a new creation; it is merely a change of name of an old association that has existed for years in the packing industry. And it is for the purpose of improving the processes, developing new processes for the recovery of by-products, developing the scientific side of the business, as well as to protect itself against the agitation which has been going on in this country now for several years, and of which this is the third or the fourth congressional investigation that the industry has had to determine whether or not legislation is necessary within the last two years.

Mr. ANDERSON. I understand that you people are asking for another investigation?

Mr. LIGHTFOOT. Do not understand that I am criticizing the investigation or that there has been more than one investigation. We are anxious for you to have all the light possible. That is one of the objects of the American Institute of Meat Packers, to help Congress and the country to know the facts about it, and there are no facts relating to it, in any department, from the manufacturing end to the distributing end, anywhere along the line, that the packers will not be glad to give this committee to the very fullest extent in their power. They welcome the fullest light on every transaction and every movement of theirs, in every direction, and we believe that when the light is fully turned on and everything is understood that a great deal of the misconception will vanish.

The CHAIRMAN. In the examination of witnesses, do you object to referring to the charges made here?

Mr. LIGHTFOOT. No, sir.

The CHAIRMAN. And which have been made a part of this record?

Mr. LIGHTFOOT. No, no; I am not criticizing that; but I am merely trying to explain, Mr. Chairman, the imputation that the American Meat Packers were conducting a propaganda or had had in existence

here an office for some purpose that was not entirely laudable and proper.

The CHAIRMAN. I desire to have it made clear that any questions asked are based on reports made and are asked for the purpose of throwing light on the subject. We will feel justified in asking such questions, and it should not appear to anyone that we are trying to put the packers on the rocks.

Mr. LIGHTFOOT. I am not speaking of you "putting the packers on the rocks." I am saying the misinformation that exists in the country, and that to a large extent has affected the consumption of meats in this country. A great many people have been inflamed by a good deal of the propaganda adverse to the packers, to the extent that when they go into a restaurant if they can get anything else beside meat they order it, and that affects even the consumption of meat in this country.

Mr. HULINGS. What keeps them from eating meat is the fact that it is 60 cents a pound.

Mr. LIGHTFOOT. Yes, sir; but the packers do not get 60 cents.

Mr. HULINGS. Not the packers, but the consumers pay it.

The CHAIRMAN. We have before us the report and the findings of the commission. We desire all the information we can secure. Of course, it will be up to the other side to make clear whether or not they agree to the findings of this commission. In asking these questions it is simply to bring this matter out before the committee. We expect to hear from both sides.

Mr. LIGHTFOOT. I think it is entirely proper for the committee to do that, Mr. Chairman.

The CHAIRMAN. Mr. Lasiter, did you request that the clippings be inserted?

Mr. LASITER. I ask that this [referring to newspaper clipping] be inserted as a sample of the misleading propaganda handed out by the packers.

The CHAIRMAN. If there is no objection to incorporating the clipping in the record, it is so ordered.

(The newspaper item above referred to, entitled "Anderson bill explained," submitted by the witness is here printed in full, as follows:)

ANDERSON BILL EXPLAINED—TERMED "STEP TOWARD PATERNALISM" IN STATEMENT BY MEAT PACKERS.

In connection with the hearings on the Anderson bill to license and restrict business, just begun before the Agriculture Committee of the House of Representatives, the Institute of American Meat Packers yesterday issued a summary of the testimony on the Kenyon-Kendrick bills before the Senate Agriculture Committee, since the Anderson bill is a duplicate of the Kenyon bill.

The summary shows that 195 persons appeared before the Senate committee. Farmers or producers were represented more numerously than any other group, 82 being present. There were 21 of the so-called smaller packers. Only about 12 who appeared criticized the packers, and of these 12 some were opposed to licensing the industry. In issuing the summary as a commentary on the Anderson bill hearings, the Institute of American Meat Packers made the following statement:

"The Anderson bill is exactly the same as the Kenyon bill. In the Senate the original Kenyon bill has been modified somewhat, but it provides a system of registration which tends to establish a precedent for licensing and restricting business in a way that is both un-American in principal and uneconomic in operation. It creates three temporary political appointees, chosen without regard to their industrial or agricultural qualifications, who receive wide power to limit severely the operation of private businesses. The bill is a step toward paternalism."

Mr. TINCHER. You stated in the beginning of your statement that one of the prime objects of this organization was to defend the packers against the unjust and false accusations—I may not use your language exactly, but I am trying to get your meaning—of the Federal Trade Commission. As I understood you that was what you said at the beginning of your remarks. Do you consider it necessary to maintain an organization here to meet unjust charges made by one of the departments of the Government? Is that the attitude of mind of the Five Big Packers at this time?

Mr. LIGHTFOOT. It is the attitude of mind of the 200 packers that constitute the Institute of American Meat Packers that there is an agitation going on.

Mr. TINCHER. I am talking now about the Federal Trade Commission.

Mr. LIGHTFOOT. I understand.

Mr. TINCHER. We have the report here of the Federal Trade Commission. Of course, I suppose every Member of Congress has examined it to some extent. Disregarding your organization, you will have an opportunity to show this committee at this hearing wherein the report of the Federal Trade Commission is false, unfair, and unjust, and I want to say to you, for one, that it will be that showing that I will be guided by, and, as far as the propaganda that you put out through the press, fair or unfair, it should not affect the committee at all in passing on this question of legislation that is now before the committee.

Mr. LIGHTFOOT. I do not think, Mr. Congressman, that it is the purpose of this institute in maintaining an office here to influence or affect your opinion, except in so far as the facts which they may be able to bring to your attention will influence your opinion; that is all. And I am sure that within the limits of the time that the packers will have to reply to those who advocate this measure that they will take pleasure in bringing to your attention as far as they can what they believe to be the inaccuracies and the misconceptions growing out of the facts collated by the Federal Trade Commission.

Mr. TINCHER. I want to hear the specific denials.

Mr. COLVER. I think the record ought to show at this point that the rock on which the standard has been planted is that the Federal Trade Commission suppressed things; that there has been opportunity after opportunity for more than a year to supply the things that are suppressed. If the things can not be supplied here that have any ponderability in your minds that have been suppressed, then the rock on which the standard has been planted is spongy.

Mr. ANDERSON. If I may ask a question before we pass from this proposition which is rather outside the purview of the hearing: You heard some of the testimony of these 195 witnesses who appeared before the Senate committee, did you not?

Mr. COLVER. I did not hear much of it; I read some of it.

Mr. ANDERSON. Did it appear from the testimony of those witnesses that the expenses of any of them were paid by any of the packers or by the institute?

Mr. COLVER. Well, under cross-examination, in some cases the witness said that he did not know how much his railroad ticket cost, did not know how much his hotel bill was, and did not know the price of the room in which he was staying.

Mr. RAINEY. Right there, Mr. Colver, is there anything wrong about paying the expenses of a witness?

Mr. COLVER. I am answering Mr. Anderson's question.

Mr. RAINEY. Is there anything wrong about paying the expenses of a witness; is not that the usual method of procedure adopted?

Mr. TINCHER. I will answer your question by citing one instance——

Mr. RAINEY. I am not asking you to answer that question.

Mr. ANDERSON. I think myself it makes a great deal of difference what the circumstances are under which it is done.

Mr. RAINEY. Is it not customary to have expenses paid of witnesses who are called to testify?

Mr. TINCHER. It has been customary, because these witnesses have been here at other times in swarms to testify for the packers.

Mr. RAINEY. Let me ask whether or not the Federal Trade Commission pays the expenses of any witnesses coming to testify for the Federal Trade Commission?

Mr. COLVER. Well, no witnesses have come to testify for the Federal Trade Commission; it therefore could not pay any fare for them.

Mr. TINCHER. I want to make just this one observation about packers paying expenses of witnesses to come to Washington to testify. I have in mind an old gentleman who came here to testify against the Kenyon-Kendrick bills over in the Senate. He had not been in the cattle business for years. He is fairly successful as a politician, and something impelled that old man to testify before the Senate committee that he was one of the big cattlemen of Kansas. I do not know who paid his expenses or hotel bills, but that would be one of the evils of paying expenses.

Mr. LEE. There may have been no other way to get this proof or testimony.

Mr. LIGHTFOOT. I attended all the hearings before the House Committee on Interstate and Foreign Commerce and all of them before the Senate Committee on Agriculture, and I heard the question asked witness after witness whether his expenses had been paid, and no witness stated that his expenses had been paid by the packers, but stated to the contrary.

So far as I am concerned and so far as Wilson & Co. is concerned, I know they have not paid the expenses of any witnesses. But whether any of them were paid, those who were not asked the questions, I am not in a position to state, though I do say that the record will show that that particular question was asked almost every witness who testified and they stated to the contrary.

Mr. RUBEY. If this is an experience meeting, I might testify along the lines of Mr. Tincher's statement. I know a man who came here from Missouri, and I know he would not have been here if somebody had not paid his way, and he told me he was here representing the cattle producers in his community, and he appeared before the Senate committee in behalf of the packers.

Mr. RAINEY. Do you not think, Mr. Tincher and Gov. Rubey, that you should give the names of these men? You make an accusation, and these gentlemen coming on to prove their side of the case ought to be confronted with the name of the witness.

Mr. TINCHER. If any such appear before this committee, I will try to find out all about them.

Mr. RAINEY. You and Gov. Rubey both said that you knew somebody whose expenses were paid. You said this man had not been in the cattle business.

Mr. TINCHER. I did not say his expenses were paid; I said something happened to him that made him an awfully big cattleman, and I just wondered who paid his expenses.

Mr. RAINEY. The inference was that he was brought here by the packers.

Mr. TINCHER. It was the first time I ever knew him to testify for the packers, as he is a great reformer out in our country and has testified usually against them.

Mr. RAINEY. If they brought him, then they may bring him again to let you interrogate him. Will you give his mame?

Mr. TINCHER. I will wait and see if they bring him here again.

The CHAIRMAN. Mr. Rainey, I believe it is due the department that we have some information concerning the exonerating of these firms that were expelled by the exhange. That they were expelled would seem in a degree to indicate their guilt. It does not seem right to have the record indicate that they were exonerated by the Department of Agriculture.

Mr. RAINEY. The Department of Agriculture agreed that if this firm would come in and turn over to the department the money the department said that they had gained through this practice——

Mr. COLVER (interposing). To be paid back to the customers.

Mr. RAINEY. If they would turn it back to the Department of Agriculture the Department of Agriculture would send it to the shipper or farmer. This being accomplished, as far as the Department of Agriculture was concerned, they would drop the case.

The CHAIRMAN. That they would not prosecute?

Mr. RAINEY. Yes.

The CHAIRMAN. Did they revoke the license?

Mr. RAINEY. No. And then Brown, the head of the Chicago Live Stock Exchange, two days afterwards in Chicago brought this firm before the committee, and put the members of the firm, with the exception of one, out of business, destroyed them.

The CHAIRMAN. Did Mr. Brown do that, or some other member?

Mr. RAINEY. The Chicago Live Stock Exchange; Brown was president of it. This firm, after having made its peace with the Government, was destroyed, after being in business 37 years and doing millions of dollars' worth of business, all the members of the firm were put out, with the exception of one, who was suspended for a year.

Mr. ANDERSON. Are we to understand from that that you think the action of the exchange in expelling these men was unjust?

Mr. RAINEY. The point I thought you did understand was the inference that Brown was protecting these commission men out there.

Mr. ANDERSON. Let us get down to brass tacks. What did Brown have to do with expelling this firm that was charged with overcharging the producers on services rendered in selling cattle?

Mr. RAINEY. He called a meeting of the Chicago Live Stock Exchange, of which he was president, and they were put out of business.

Mr. ANDERSON. They have a board that tries cases of that kind, do they not?

Mr. RAINEY. Naturally.

Mr. ANDERSON. And that board came to the conclusion they ought to be expelled; is that correct?

Mr. RAINEY. That is true.

Mr. ANDERSON. Then what did Brown have to do with it, except calling a meeting of the Live Stock Exchange?

Mr. RAINEY. The inference here is that he is protecting these people. These other firms filed an injunction suit against the Government, and the court decided against the Government.

Mr. ANDERSON. I can not get it through my head; I give it up.

Mr. RAINEY. Then I am not responsible. I tried to explain it to you.

Mr. RIDDICK. There is no evidence that Brown did not call this commission to exonerate these men, He simply called the commission together; then the commission expelled them. I ask, what did Brown have to do with it? The meeting might have been called to exonerate these men.

Mr. RAINEY. Brown was one of the men who voted for expelling this concern?

Mr. ANDERSON. Was he a member of the committee, governing board, or whatever it is that passes upon the expulsion of members or the charges against members?

Mr. RAINEY. As I understand it, he was.

Mr. WILSON. He is chairman of the board and president of the exchange.

Mr. LYMAN. May I ask Mr. Rainey a question? Was not this firm the firm that was handling a very large amount of cooperative live stock in Chicago?

Mr. RAINEY. I do not know; they were the third largest firm out there.

Mr. RAINEY. Mr. Colver, on page 107 of this part 5, Stimulation Live Stock Products, you stated before the Senate committee that the packers owned 1,000 butcher shops in England. They denied that, and in this record you said that it was an extract from a study of trade organizations and combinations in the United Kingdom prepared by John Hilton, and that you were relying entirely on the trustworthiness of the British reports. Is it true that these reports as cited by the British authorities were copied from the reports of the Federal Trade Commission of the United States?

Mr. COLVER. No; it could not possibly be true, because the Federal Trade Commission never said anything about retail shops in England prior to this report of theirs.

Mr. RAINEY. On page 113 you stated that out of 280 independent concerns in 1910 only 140 continued in operation through the period up to 1919. There would be 140 then go out of business. Now, there is the inference there that the 140 were put out of business as the result of this combination of the Big Five packers.

Mr. COLVER. No; it was intended as just simply showing the rate of mortality in the independent packing business—no inference.

Mr. RAINEY. Do you know of any independent packers that were put out of business by the Big Five?

Mr. COLVER. Yes; I think I know very definitely about the case of Hurni out in Sioux City, Iowa.

Mr. RAINEY. Could you state those either now or put them in the record, the specific cases?

Mr. COLVER. I was going to give you the detail of that thing. The facts I can not state from memory.

Mr. RAINEY. If you do not recall them right now——

Mr. COLVER (interposing). It is very interesting. I would like to put them in right now.

Mr. RAINEY. The specific instances?

Mr. COLVER. Yes; this is a very interesting case. It is in the record of the House Committee on Interstate and Foreign Commerce hearings on this packer matter and is in the record of the Committee on Agriculture. I will state it now from memory, with the understanding that I am stating from memory and making reference to at least two public documents for any corrections and from my recollection.

Mr. RAINEY. I read about that case of Hurni. I was trying to get at the inference here of 140 independents going out of business in that length of time, and if you could cite specific instances, not one or two, but as many as you know, because a great many men in business fail because they have not capital sufficient to sustain them through mismanagement, and I do not believe it is proper for the inference to be drawn that all of these concerns or the majority of them were put out of business as the result of the Big Five packers.

Mr. COLVER. Well, I suppose that a rather complete statement could be prepared. I could not do it offhand. I presume it would be interesting for you to know what plants of these concerns that have gone out of business have fallen into the hands of one of the Big Five. I presume that could be shown to you. The fact is that during the period you speak of that one-half of the concerns that were in the business at the beginning of the period perished before the end of the period, and a large number came in from time to time; and at the end of the period the number had been reduced from 280 to 237, notwithstanding the constant recruiting of the new concerns that have come in, showing that it is an extremely unhealthy atmosphere.

Mr. RAINEY. About the packers absorbing some of these others, one of your examiners, Earl S. Haines, on page 102, writing to Mr. J. P. Yoder, suggests that he was down South. He says:

> Furthermore, as Dr. Adams and the other agents of the commission with me at Moultrie have heard me say, I assumed from the start that the people of Moultrie would quite naturally appreciate and support Swift & Co. because of what a successful packing plant would mean to the community. I did not expect the people of those southern towns in which the big packers are operating to have any other than a local point of view and appreciation of the packers.

In this case I read this firm was in business and about to be bankrupt. They went to Swift & Co. and urged them to take over the plant; otherwise they were going to the wall; they were unable to operate it successfully. Swift & Co. took over the plant and made a success of it, and instead of condemning them for it I think, as your examiner said, they should be commended.

Mr. COLVER. I do not find any commendation. He stated the fact.

Mr. RAINEY. I would like you to insert in the record a number of specific instances where the independent packer has been put out of business by this so-called combination of the Big Five.

Mr. COLVER. I will be very glad to make such a contribution.

Mr. RAINEY. There is just one other question I referred to the other morning. Out in my district the understanding of this investi-

gation was that the whole food problem was to be investigated, and, as was suggested here yesterday by some one, the Department of Agriculture was to start in to investigate the producing part of it, and your commission came along and investigated the packers.

Out there they, of course, were anxious that the whole matter be investigated. Because they wanted to find out who were responsible for high prices. And I read here an extract from the testimony of Mr. J. M. Wilson, a producer, supplied by this bureau of information of the Institute of American Meat Packers a report on hearings of the Kenyon-Kendrick bill of a speech that you made out in Denver, Colo. You went out, as you suggested there, to report to the producers: that is, I take it, the meeting was a meeting of men——

Mr. COLVER (interposing). Of live-stock producers?

Mr. RAINEY. Of live-stock producers; yes, sir. They call attention to some of the statements that you made, and I think it might be interesting for you to explain that. For instance, page 87, it says:

COLVER'S ACKNOWLEDGMENT.

It is a pleasure, as well as an honor, to come out here to talk to you, and in a measure make a report on the progress that has been achieved in the job in which you were instrumental in starting us.

The point I have in mind these were producers who were to be investigated themselves; that was the idea of the food problem, and you were going out there to report to them, and, as has been shown in the book, which is interesting to the members if they will read it.

Mr. COLVER. That book is interesting from the point of view of what it leaves out.

Mr. RAINEY. That is all right. Whatever it leaves out I would be glad to have you put in or supply to the committee. The inference is these men who were to be investigated, the producers—and we have never had any report on the investigation of the producers or the investigation of the retail end of it——

Mr. COLVER (interposing). The report is in the hands of the Public Printer, made by the Department of Agriculture, as I explained to you somewhat in detail yesterday.

Mr. RAINEY. But, as I say, we have never received a copy of it.

Mr. COLVER. No.

Mr. RAINEY. You said:

That you started the row; then you put us into the cage and went away and left us. I might say it has been a most interesting proceeding ever since.

Then you say again:

We did what you told us to do, after you went away and left us.

This is what the producers told you to do—the Federal Trade Commission.

Then, again, down toward the end of it, it says:

Of course, we knew about the fight that had been going on. We knew that three years ago, at El Paso, you started your market committee out, and we knew that they did go out and they camped on the job and never let up until they brought home the bacon, and then they were through. * * * Now, to-day, the buck is right straight up to Congress.

In other words, there has been some criticism of the member of the Federal Trade Commission going out reporting to the men who were to be investigated.

Mr. COLVER. I had not heard that criticism, had you?

Mr. RAINEY. I have in my district.

Mr. COLVER. I imagine so.

Mr. TINCHER. What district? Oh, I see.

Mr. RAINEY. The fourth congressional district of Illinois, one of the greatest in the United States.

Mr. TINCHER. And criticizing the Federal Trade Commission for not investigating the producers?

Mr. RAINEY. And the retailer as well. They figured that this investigation that the President suggested should cover the whole food problem, and that the proper place to start was with the producer, then go to the packer, then to the retailer, because what we are interested in and what the Federal Trade Commission is interested in and the President of the United States is interested in is that the 110,000,000 of American people can buy their meat cheap, as the gentleman from Pennsylvania suggested a few minutes ago. He did not know what the price was to the farmer or producer, but the public were paying high prices for meat.

I just wanted to know if you had any explanation to offer with reference to your "report" to the producers?

Mr. COLVER. I do not think that requires any explanation. If you can suggest anything that does need explaining, I will try to take a hand at it. If you mean there is anything wrong in going before a body of producers, a body of citizens who contribute to my salary as a public officer, and simply using an ordinary oratorical phrase such as you use when you go out and talk to your constituents, that you "come to report to them what you have done," I said it, and I take it that all of the people of the United States, including the fourth district of Illinois, are my constituents as long as they pay my salary. I was reporting to some of them.

Mr. RAINEY. But the question here was you were reporting to a live-stock association or producers who also were being investigated or who should have been investigated.

Mr. COLVER. They were and had been.

Mr. RAINEY. I beg your pardon.

Mr. COLVER. They were and had been investigated.

Mr. RAINEY. And the suggestion that "We did what you told us to do"—the inference would be that those people who should have been investigated or were being investigated told the Federal Trade Commission what to do.

Mr. COLVER. Oh, I see. Well, that is rather far-fetched, and it is so far-fetched that I do not think it is—unless you think so; if you do, I will, of course, yield to your opinion. If there is any inference on your part or on the part of the editor of that glossary that anybody, meat producers or anybody else, told the Federal Trade Commission what to do or how to carry on its investigation, then it is a mistake in the reading of what I said. Nobody did.

Mr. LASITER. Mr. Colver, might I not ask if that meeting was not in the presence of the representatives of the press, and whatever publicity was given to that meeting was distributed to the entire press of the country?

Mr. COLVER. So far as I am concerned, there was nothing surreptitious about it, not at all. But you can not read there—it can not be read into those few words taken out of an address extemporane-

ously delivered to a meeting of producers, as I said, that they or anybody had directed the course or the method of the work of the Federal Trade Commission. That I have seen attempted to be hung on the Federal Trade Commission by some of our friends, but it has not been successfully done yet.

Mr. RAINEY. One of the members of that association was a Mr. E. L. Burke, of Omaha.

Mr. COLVER. I think so.

Mr. RAINEY. If there is an increased production of live stock, would that lower the price of meat?

Mr. COLVER. Well, depending on whether the increased consumption was greater or less than the increased production, of course.

Mr. RAINEY. If there was a decrease in production, would the price of meat be higher?

Mr. COLVER. Depending on whether the consumption or the demand for consumption increased or decreased at the same time, in the same ratio.

Mr. RAINEY. Mr. Burke, of Omaha, suggested at a meeting, among other things, a curtailment in production. Just let me read on page 84 of this report of hearings:

E. L. Burke, of Omaha, in addressing a convention, suggested:
"A thorough Government investigation of the packing business and all subsidiaries; elimination of the packers from the control of public stockyards; establishment of a market paper at Chicago owned by the producers and edited in their interests and curtailments in production."

They follow that out here. They say:

This points very clearly and unmistakably to where the Federal Trade Commission got its original recommendations. But while you know that the one great thing desired in this country to-day is to encourage production, and these bills erroneously state that is their object, still you find this producer, the partner of the man in California who wrote the letter to the President that brought about this investigation by the Federal Trade Commission, boldly recommending "curtailment in production."

He says further:

This last recommendation at least establishes the fact that Mr. Burke's motives were not altogether unselfish.

Mr. COLVER. Is that Burke or Prof. Weld saying that the Federal Trade Commission's original suggestions were very clearly taken from the live-stock producers? Which one was it? I do not know. You got off the direct quotation onto some other quotation.

Mr. RAINEY. Mr. Burke suggested curtailment in production——

Mr. COLVER (interposing). There was nothing suggested by the commission looking to a curtailment of production. You do not mean to say there was, do you?

Mr. RAINEY. No; I do not.

Mr. VEEDER. I think that was the testimony of Mr. J. M. Wilson, who was a witness, and who is a producer in Wyoming.

Mr. RAINEY. That is very true. J. M. Wilson is the one who made that analysis, Mr. Colver.

Mr. COLVER. Made the analysis?

Mr. RAINEY. Yes.

Mr. COLVER. I do not see the connection. There is no connection; there can not be any connection, and they can not say "that the inference is plain" for the inference is not plain. It is not true.

Mr. WILSON. Mr. RAINEY, I do not know whether you asked Mr. Colver to insert this speech you are referring to in the record or not. There was something said about supplying that which was not in that document, and I would suggest that if he has the speech of that date that it might be included in our record.

Mr. COLVER. I do not know whether I ever had a copy.

Mr. WILSON. You said you would supply it. I just wondered—I did not know a thing about it.

Mr. RAINEY. You say it is already in the record?

Mr. COLVER. Furnished by the packers. I do not know who took the record out there.

Mr. VEEDER. Was not that published in the proceedings of the Denver meeting?

Mr. LASITER. You speak of the last Denver meeting?

Mr. VEEDER. I am speaking of the proceedings of the association at the Denver meeting at which Mr. Colver made his speech, from which Mr. Wilson made these quotations.

Mr. LASITER. I was not present at the convention, and I have not seen the report of the proceedings.

Mr. VEEDER. I am very sure it was.

Mr. RAINEY. Will you direct the stenographer's attention to where that speech can be found and have it inserted in the record?

(The address by Mr. Colver at Denver appears in the record of the hearings before the House Committee on Interstate and Foreign Commerce (65th Cong.), on H. R. 13324, Part 5, p. 2369, having been put in that record by Representative Winslow. It is here copied in full, as follows:)

ADDRESS OF HON. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION, BEFORE THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION.

[Twenty-second annual convention, Denver, Colo., Jan. 23, 1919.]

Mr. President, ladies and gentlemen, and members of the association, it is pleasure as well as an honor to come out here to talk to you and in a measure make a report on the progress that has been achieved in the job on which you were instrumental in starting us. I am glad to come to Denver at this particular time for the reason that Denver has just contributed a new and fourth member of the Federal Trade Commission, Hon. Huston Thompson. I have known him in his work in Washington, and I know that Denver will be proud of his work and the Federal Trade Commission will be thankful to Denver for giving him to us.

I am always glad to come to Denver for the reason that I used to go to school here and lived here when I was a youngster, so it feels like home.

But perhaps the most pleasant thing is to come out here to this association convention and get acquainted for the first time with the people who let us in for the row with the packers. You started the row, then you put us into the cage and went away and left us. I might say it has been a most interesting proceeding ever since.

I think that yesterday President Pryor said I would defend the report of the Federal Trade Commission; but I will not do that. I will just ask you to read it. If you haven't a copy, send me word in Washington and I will send you one. I shall not defend that report. I do not think the report needs defense. As a matter of fact the report has not been denied nor attacked, although it is generally supposed to have been.

If you will read the paid advertisements, if you will read the packer propaganda, you will not find that the report is attacked. It doesn't say that what we found is not true; they do not disprove what we have proven. They say, perhaps, that the members are crazy or are anarchists, and that the language they use in writing the report is not proper language; but they do not say that the facts are not there, and that is the very thing we have—the facts. If the facts are straight they are just as good if brought in by a crazy man as they would be if brought in by a sane man; that is, if it is the facts you want.

This report has one merit that I might point out: It is a Government report that neither directly or indirectly seeks a job for or increases the powers of the officers making it. That is unusual. The Federal Trade Commission did the same thing that you folks did. We did what you told us to do after you went away and left us; then we started something and went away and left it.

We should not have anything to do with the further steps in this situation.

There are two more steps to come: First, congressional action; that is the next step; and after that the execution of whatever law Congress may enact.

Now, to-day the buck is right straight up to Congress. The responsibility is there, After Congress shall have passed a law the buck will be right straight up to whoever or whatever agency may be delegated to execute that law, and the Federal Trade Commission naturally should not expect to have any part in the future steps that are to be taken.

We are told by Congress and by the President, very largely at your suggestion, to investigate this thing and report what we found, and we are through when we have done that thing.

The commissioners who finally signed the report were Gov. Fort, Victor Murdock, and myself. All of us had come to the commission after your movement had been started. We had nothing to do with the beginning of it. We had not been consulted by either side and I never saw three men undertake a job with less prejudice. We had not even met you folks. The order came to us to find what were the facts on the whole subject of food, food control, and food prices. It was not limited to meat as you know. We spent $250,000 of your good money on the job.

Of course we knew about the fight that had been going on. We knew that three years ago at El Paso you started your market committee out and we knew that they did go out and they camped on the job, and they never let up until they brought home the bacon and then they were through.

That is where we came in.

Now we are through.

Very early in our investigations we did find some interesting things that had to do with the authorization of this investigation. We found that some of the packing concerns, especially the five larger ones, were in very close touch in very many directions—secretly. We found their touch in Washington; we found their touch in other places; we found their right hand in associations like this and many things that seemed unexplainable and many curious differences of opinion that had distracted people who were trying to do things in a proper way were explained when the packers' letter files were opened. Those are not things to be published; those are not things that have to do with the facts in this case, but they are somewhat illuminating.

We found how they tried to stop your market committee entirely and to prevent the enactment of a resolution. They failed in that. Then they switched to an effort to throw the investigation—to limit the investigation—to an economic investigation and give it to the Department of Agriculture.

Now, don't get any misconception about what I am saying. The Department of Agriculture, without the slightest doubt, would have done just as well as we did up to the limit of their powers. But the Department of Agriculture has not the power which Congress has seen fit to give us in investigations—the taking of evidence and calling of witnesses, and even opening vaults to get letters out.

So the effort was to turn it to the Department of Agriculture; to give it an economic tinge and give it a limit that would touch upon economic features of stock raising.

We had not gone very far before we found what the economic feature was, and if they had gone on and been successful the investigation would not have gotten very far in the Department of Agriculture. The power and jurisdiction which that department has and the careful vigilance which it exercises would not have been sufficient to bring home the bacon.

We had the benefit very early in the game of seeing how they tried to block you and we got a rather valuable list of names of their active blockers—that you people did not know, and when we came to deal with them we had them pegged. That helped a lot.

We saw and you can see a fresh collection of tombstones in the packers' private political graveyard of men who went to the front for you on the Borland resolution, and that collection of political tombstones will be added to if the packers keep their health.

It was, therefore, a rather clammy job to tackle.

It has been intimated, for instamce, that if the Federal Trade Commission does not let up, and if it did not let up a long time ago when this investigation was just getting a start, that it would not have the long life of Methuselah.

We will see.

If the Federal Trade Commission can take this one job and do it well and thoroughly, it ought to be willing to die.

There is no one of us who has to do that work for a living. There is no one of us who is dependent on that sort of a job.

So we tackled this job; and I do not believe that we were either bullied or befooled or bedeviled or bluffed clear through to the finish, and when we wrote the report and when we have gone before the committees of Congress we have gone without the slightest personal prejudice and we have reported the facts as we found them; and I say again, the facts stand—we are through. The report can be assailed; the commission can be assailed; you can have paid ads from 'Frisco to Portland, Me.; but they can not get behind their own facts.

They say that we are not fair because we did not let them bring their attorneys in and cross-examine the witnesses and examine the papers that we had examined. The papers we examined they had examined a long time ago, but they would like to have known which ones we had.

But suppose the day we started out we had sent telegrams to these five packers and had said, "We are to start a perfectly fair and impartial investigation of this matter and you had better come down here and bring your lawyers, because you are the defendants"?

How in the world can you have defendants in a case like that? Why, if we had done that, they would be before you to-day saying they were not treated fairly. To prove that, they would say that before we even started in we said they were defendants and we were going to "get" them.

If we called them it was not fair, and if we did not call them it was not fair.

But the investigation was carried on in the way Government investigations have been carried on and in the other investigations carried on by the commission into other industries, and in exactly the same way, and the reports were made in the same way.

The other industries have not kicked; they have been satisfied. It all depends on what you say about the man. Nobody quarrels when you give him a bill of health.

The first shot out of the box we went to Chicago, had a meeting, and called them in. We went over the whole ground with them and outlined the scope of the proposed investigation and submitted a list of questions to them. We then said at the end of the questions, "Answer these questions and then add anything—any suggestion—anything; don't be limited by these questions at all, but give us anything you have got by way of information—suggestion or anything—to guide us."

We got answers. None of the answers said they wanted to be called as defendants. They said they were perfectly innocent. Among other things, Swift & Co. said:

"As a matter of fact, the principal reason why packers have become interested in yards at all (this was written July 23, 1917, 23 days after the investigation began, after they had been seen and counsel were invited to take part in what we were about to do) has been to develop them to the highest point of efficiency. When a live-stock market is young and undeveloped, the opportunity to make profits is hardly sufficient to induce private capital to enter the business; it has, therefore, devolved on the packing companies to develop the yards in some cases, so as to establish a market which will attract shipments and to provide facilities for the proper handling of animals. And this the packers have done."

Let us see.

We found that the five packers had stock interest, either small or large, in 34 yards in the country, the larger yards, and that out of $45,000,000 of voting stock which controlled those 34 yards—that is, counting them in the aggregate—the five packers own 52.7 per cent of the controlling stock, and we don't pretend to say that we found it all. We don't pretend that at all. And then we found that of those 34 yards they had started only four or five.

We did not find that they had gone into the yards as Swift & Co.'s reply says they did. We did not find that they had gone into the yards so undeveloped that independent capital hesitated to go in, but we did find that in 28 or 29 of the cases they only went in when the yards had become so profitable that it was a good thing and too good to be overlooked and then they nabbed it.

That is how they "developed" your yards for you. The greatest development they have given to your yards has been the issuance of stock and the increase of charges.

When we went to Kansas City we found that, unfortunately, all the records of the stockyards there had been mislaid—they are still mislaid. We could not find a scrap of paper as to the earlier operation of the yard, but fortunately we found that the Kansas Legislature had found those papers—had made a rather thorough investigation themselves and had reported in 1907 that for 26 consecutive years the dividends on actual investment each year for the Kansas City yards averaged 67 per cent.

Now, they have been going at the rate of 67 per cent for a dozen-odd years consecutively and then the packers come in and say that because it was unprofitable they had come in there to push things along a bit.

No; because their ownership and taking hold in Kansas City was marked by the issuance of a new lot of stock. That is what they did for the Kansas City yards. This yard problem is a question. For example, just a single item: The hay account at Omaha shows that the net profit above the cost of the hay and the cost of handling to the yard, that you folks pay is 97 per cent. Do you know of any other hay dealers who make 97 per cent?

If the going into these yards was for your sake, in order to develop the live-stock industry; if it was all for purely self-sacrificing ownership, why do they hide the ownership behind dummies—and dummies behind dummies? Why don't they come out and say: "We own this."

We had to trace the stock to the man in whose name it appeared and ask him, "Do you own it?" and he would say, "No"; well, "Where is the stock?" His answer would be, "I have indorsed it and sent it away"; then we go to so-and-so and say, "What did you do with it?" and finally the result is the stock is found in the hands of the packing concerns.

Why do they go through such roundabout methods if this is such a self-sacrificing undertaking?

As an example—in the Armour interest in the Chicago stockyards—a corporation was created in Maine to be the holding company to hold the stock of a New Jersey company which was the holding company which held the stock of the three companies which operated the stockyards in Chicago.

That holding company of the holding company of the three operating companies was one of the most curious companies that we have ever seen. I am going to tell you briefly about this Maine company because you might want to use it in your business. I can not imagine you could, but then you never can tell.

We found that a charter was gotten in Maine and a million dollars in regular money was paid in, of which million dollars in regular money Mr. Armour put in $194,000.

The million dollars then was used to buy the stock of the holding company of the three operating companies.

Then there was what was called a "plan." A "plan" is a piece of paper with typewritten letters on it. The "plan" was put in with the million dollars' worth of stock, and then $8,000,000 worth of stock was issued in the Maine corporation so this paper was not worth as much before as after it was typewritten on. It was worth $7,000,000 in the financing.

Then that $8,000,000 worth of stock was issued to the treasurer of the company and he still has it, except the qualifying shares which were given, just for a minute, to clerks in corporation trust office up in Portland, Me., in order to qualify them to be the president, officers, and directors to run the show.

I would like to tell you about this. It is a good story. The treasurer got the $8,000,000 worth of stock and then he issued a thing called a bearer warrant. All that it said was that this certifies that the bearer is the owner of so many shares of the holding company of the holding company of the three operating companies. It doesn't say what his name is.

You know a stockholder has only two rights, especially if he is a minority stockholder—the right to vote and the right to get his dividends; and so in order to exercise these two rights—that is, to get their dividends and vote—they put in the by-laws, section 25, and printed it on the bearer warrant. They on the warrant were coupons, 1, 2, 3, 4, etc., like on the Liberty bonds, only on the Liberty bonds your coupon tells how much it is worth. That is a great help when it comes to collecting the income tax. On these dividend coupons it doesn't say what it is worth, so it is not any help to anybody.

Now the treasurer holds and always has held the entire stock. The stockholders themselves do not know each other, necessarily. There is no reason why they should. A dividend is declared; the treasurer sends the 100 per cent dividend over to a trust company or bank in Boston; these coupons come in and they don't have to be indorsed, and any A. D. T. boy could get it. There is no record whatever. There is no way to trace the dividends.

If the holder wants to vote it provides that his warrant can be deposited in any bank or trust company in the United States, and he takes from them a receipt, not giving the name of the person depositing it but simply the name of the bank with which it is deposited, and an agreement on the part of the bank that it will not let this warrant get out of its hands, and then the holder can vote that bank's certificate as a proxy without any names in it.

I leave it to you, is there any reason for transacting a straight-out business in such a roundabout way as that? What good use is there in any such complicated device as that?

Of course it is profitable.

Well, we got the president of this $8,000,000 company, and we had a hard time getting him, too. He did not know anything more about that company than you do. He did not know as much because nobody had told him as much as I have told you. We telegraphed him at the address that was given in the corporation records and got an answer signed by his name from New York. We carried on a telegraphic correspondence with him for two or three days, and finally we subpœnaed him to come to Washington. When he came down to Washington we put him under oath and simply asked him inadvertently where he was when we wired him, and he said he was in Portland, Me., all that week.

The lawyers had carried on the correspondence. We asked him what his last dividend was, and he said "$2.50" on his one share of stock. We asked, "What did you do with it?" He said, "It was not mine. I had to send it back."

It may be a good thing to get the stockyards of the country into the hands of a president who gets a $2.50 dividend and can not keep it, but I do not think so.

Mr. Armour put in $194,000. He got $1,552,000 worth of stock. In four years, from January, 1914, to the end of last year, 1918, his dividends amounted to $356,950.

Unlike the president, he did not send it back.

Now, I do not object to that. Not in a single line of the Federal Trade Commission's report have we objected to profits, and we have no objection to profits. Why, profit is the lifeblood of business. You must have profit, and we like to see you get it. The packers have to have it, and we like to see them get it—a generous profit, but let us know how he gets it, where he gets it, and from whom he gets it, that is all.

Don't tell us that the profit in meat is less than a cent a pound because your cattle prices are so high, without telling us that cattle prices are high because you are skinned on charges from the time your stock leaves home. That all goes into the price of meat. Let us see where the various profits in this pound of meat are, and who gets them.

Oh, yes; we found this was more than an economic question before we got through. It is too long a story to tell you about—what shall I call it?—the benevolent assimilation of S. & S., the Sulzberger concern. It is too long a story. It is all in the report. Send for the book and read about it. It will be interesting. It is one of the most interesting problems in financing. It is not an economic question. It was high romance—very high, but it showed that the big fish could swallow a big fish—and did: I say it is too long; too complex to tell now. It took months to unravel the thing. It is not unraveled yet.

They can take the big fellows and the little fellows, too. Take the case down at Sioux City, of old Herni, who ran the place in the old stockyard. Why, they say the Federal Trade Commission is destructive of business. They say that if some of the things we suggest are done, that you can not expect the big packers to invest in their business and increase it. Well, if some of the things we suggest to be done are not done you can expect nobody to invest a penny in it.

Here was this old man Herni, in Sioux City, an old Swiss. A good many years ago he started out by going over to the yard every morning with a wheelbarrow and buying the crippled hogs and taking them back to a small shack, and there he killed and dressed those hogs and peddled the meat around town. That was his start.

He and his wife ran that business enterprise without a single bit of aid from anybody. By getting up before anybody else got up and going over to the yard and getting the crippled hogs; by staying on the job, without the assistance of by-products, this old man built a fine, tidy, modern plant and increased little by little and finally he had a modern plant.

When it came time to buy land he bought a piece of land adjoining the yards. When the yards grew they had to go through, over, or around this old fellow. This man was not the kind you could go through, under, or over—that is, not immediately—so they had to go around him and there sat his plant and it cut right into the yard and the yard was around him on three sides and the street was out in front. I would call that a convenient location for a packing plant, wouldn't you?

So then by this time he was buying in good quantities and he would go into the yard to buy his stock, pigs, hogs, and cattle, and for years he asked them to cut a gate in his fence so that his stock could be driven from the yard into his plant. But they would not do it, and he had to drive his stock down to the other end of the yard and down through one of the streets of Sioux City, a street filled with car tracks and trucks, and drive his stock down that street and into his plant through the front way.

For years he asked the city council of Sioux City to let him run a spur track into his yard, and for years the attorneys for the packers and for the stockyards company would

appear before the council and explain. I don't know exactly what they said, but something to the effect that Sioux City would slide off into the river if they did that. It was much better to be driving live stock through the city street.

Well, this old man hung on until finally, only a short time before his death, he gave up the fight. He sold out. He sold out to the stockyards company which was controlled by Swift & Co., and then they leased it to Swift.

The next day the gate was cut and then the council was asked by the same lawyers, who told them repeatedly what a catastrophe it would be to let this line in there, to let the track go in and they granted the franchise for the track.

This is just a little of the story. It shows you they can swallow the big ones like S. & S. and the small ones like Herni. How does that strike you as being destructive of business? We never said or did anything as bad as that. Just imagine strewing broken bottles in the track of an old man like that. Good God! What is America for if a man can't come here and through his own industry operate an enterprise to which the law entitles him?

The ownership of these yards carries with it other things. For instance, in the yards, you know, there is the rendering plant and the rendering plant has exclusive right and your commission man who signs a lease to transact your business can be evicted on 30 days' notice if he does not turn his business over to the rendering plant inside. Over at Sioux City they paid $3.02 when the hides were worth $10. Let us see how profitable that was.

"Chicago, Ill., July 21, 1917," L. F. Swift wrote, "Mr. R. F. Murray, secretary the Sioux City Stock Yards Co., Sioux City," in regard to the Iowa Rendering Co., "If the rendering company made an average of 63 per cent per year for five years from their rendering operations, it would be correct to consider the fair value of the capital stock as $630 per share and make your return on this basis."

A memorandum referring to the matter tells about the profits in this rendering company which the Swifts own stock in, and says:

"Dividends paid January, 1916, special dividend, 50 per cent.

"November, 1916, special dividend, 50 per cent."

Two specials in one year make 100 per cent for the year 1916.

"Regular quarterly dividend, 20 per cent per annum."

That is 120 per cent per year.

"April, 1917, special dividend, 50 per cent.

"January, 1917, regular quarterly dividend, basis 20 per cent per annum.

"April, 1917, regular quarterly dividend, basis 20 per cent per annum.

"Will it be satisfactory to you to pay special dividend of 50 per cent?"

They asked that in July. I think it would be satisfactory always to pay a 50 per cent dividend.

I am not complaining now about that dividend. I am not complaining about the amount of money. I am just saying that if those dividends could be paid by that rendering company that you folks were entitled to more than $3.02 for the dead animal. I say it was not an even break.

Then there is this relation with the railroads, the traffic club, the club of control by big tonnage which the packers hold over the railroad company. Speaking about destruction of business. Here is an example. Down at Hodge, near Fort Worth, the Katy had a stockyard. A letter was written to Swift & Co. from St. Louis.

Swift & Co.'s man said he had been talking with some other railroad man and he had talked with the Katy people and the Katy people wanted to know why they did not get packer business, and the Swift man said that as long as they continued to operate this Hodge yard in competition with the packers' Fort Worth yard they could not expect any business from them. The Swift people said that if they wanted to dismantle the yard and wipe it out of existence they could get back into the packers' good graces.

To cut a long story short, that is exactly what was done. I think it was the space of three weeks from the time they spotted the yard to clean it up until the time the yard was a prairie. I think that is destructive of business. I think anybody who will do that is destructive of business. They can say many things about the Federal Trade Commission, but they can not find anything like that on us.

When we said there was a great advantage—an unfair and undue advantage—in the ownership of the refrigerator cars they came back and said, "That is easy. Any of these independent fellows who want cars can go ahead and get them. There is no patent on them. If they haven't the price of a car let them rent one; we are not stopping them."

Well, that seemed like a simple answer. So the Federal Trade Commission for one year, with the aid of the Interstate Commerce Commission and other assistance, traced every refrigerator car in the United States every day, 365 days, for a year. Then we divided them into two classes—those that were owned by the five big packers and those

that were not; then we took the miles that they traveled, divided by the number of cars, and we found one of those coincidences, one of those things that—well, they tell us it just happended.

We found that every one of the packer cars on the average each day, for the days of operation, 314 days, I think; I am not sure about that figure—I have to be careful; if I misquote a figure it is all off—each one of those cars owned by the packers each day averaged 80 miles. Each one of the cars owned by one who was not a packer averaged 54 miles.

Of course, that just happened. It does not mean there was any club on the railroad; oh, no.

Now look at the advantage that gives over the independent packer who is trying to compete. Laying aside the investment in the car, or if he has to rent it, just consider the tying up of his working capital. One man's meat goes to market at the rate of 80 miles a day and another man's 54 miles a day, and between those figures, it is very likely, the difference in profit and loss will be found. The money turns over just so much slower.

Decker & Co., out in Mason City, took this prescription—"Well, if you want cars, go get them; nobody will stop you." The first one they started out was gone 177 days—six months. It cost them $116.46 to rent that car and the car earned $16.56 for them. They testified about six cars. For all the six cars the rent they had to pay was $468.68 and the earnings on those six cars were $51.56. They had taken the packer's medicine—perfectly simple—"If you want cars, go get them."

Some of those Decker cars the railroad companies hauled coal in. Did you ever hear of hauling coal in one of the packers' cars? I pity the railroad man who would try that on them.

So you see this was not an "economic investigation." There is a lot more than economics in it. We found, for example, that these five companies are spread out all over the country. They have gone into related and unrelated lines. There are something like 750 companies operated by them; hundreds of different commodities dealt in by them. The Federal Trade Commission has suggested that it would be a good thing, since the packing business is the biggest single business in the country—bigger than the United States Steel or the Standard Oil—if the packer would stay in his own field. We may be dense, but we can't see how breakfast food, babbitt metal, coal, coke, lumber, bumping posts, railroad supplies, and things like that are connected or related to the packing business.

Why should an industry engaged in preparing a basic food for the people of this country set out deliberately to control the substitutes for that food? Why should they reach out for the canned fish and canned vegetables and cereals, and why, having gotten a pretty good grip on the butter market, should they reach out for the butter substitutes?

If there is not going to be competition in the packing business (except this fierce competition between the five), if there is not going to be competition in meat, for God's sake let us have some competition among the other things to eat. [Applause.]

They claim that all this bringing together of these things is a good thing because they can do it cheaper than anybody else. Well, can you buy any cheaper from them? If not, why put these other people out of business? Why not let them stay in?

The packer's job is big enough without invading these other fields. They say that the working up of by-products is economic, and I agree to that and I am for it, but I am not so certain that it is not offset when you remember that they haul cattle from El Paso to Kansas City and ship the beef back through El Paso to Los Angeles for people to eat.

I don't know but that the by-products economies are pretty well used up in the long haul, and I don't know why, geographically, financially, morally, socially, and religiously, there is any reason why there should be only beef killing and packing plants in the towns selected by the big packers, nor why packing houses can't come nearer to the range and ship the meat, instead of the live animal on the long hauls, and if you will open the door of competition and let independent capital—I am trying to welcome business into a great big enterprise—if independent capital dared go into the packing business now you would have packing houses scattered all over the country, and it would be a benefit to all and there would be no economic waste of by-products.

There would be a lot of economic saving in transportation—economic saving of transportation and hay charges at Omaha.

Well, we came to some conclusions in this report. We concluded if it were possible to have an open road and free channel of trade from the range to the table a lot of these things would work out all right; that it was the fact that the five concerns had erected all the way along the line toll gates and took toll of your stock every time it passed a gate.

We found that there was the control at the meaket; control of the yard; the commission man himself doing business practically under the license of the packer because the lease that lets him do business in the yard can be revoked by the packer. Now, if the commission man is not under license of the packer I would like to know what he is. I have the greatest admiration for the way the commission man has stood up and tried to serve the interest of his client in the face of the fact that he is operating under a license by the other party to the bargain. It is not a very comfortable position to be in to do business.

Why, they say they are going to tell you that it is "Bolshevik" to license the packer and the commission men and the stockyards. Maybe so; the packers do it; the big five do it—if it is "Bolshevik" they do it.

They tell you there is no collusive buying; they say there is no agreement as to how much they buy and don't buy and relation of the percentage of the five packers. Now, here are five companies; take them into the 12 big markets. In some of the cities, in some of the markets two of the companies buy—as in Denver here—in some three buy; in some four; in some five—all the combinations you can make of the five packers in these 12 markets.

Now, in one of their written explanations they have pointed to violent percentage buying fluctuation in the various markets as proof of competition between the five packers. But add up those purchases—in all 12 markets—by all five of the big packers, week by week, and total them by weeks right straight through the year—you will find on page 50 of the commission's report a chart, two of them—one shows a jiggly line with the weekly purchase fluctuations—it looks like a cross-cut saw—then the other chart shows the weeks added up until you get through the year and there is no variation of 1 per cent on all those millions of purchases.

Now, they say that that just happens. Well, it is quite a stretch of imagination to think that in 12 markets, unconnected, no intelligence passing back and forth, you can draw a straight line involving all those millions of purchases by five eager competitors.

But we charted them back five years on cattle, sheep, and hogs, and we did not find a wiggle in the line. I will go on the coincidence theory for one year, but I will be hanged if I will go five. [Laughter.]

Then, there is another perfectly good explanation; it is "plant capacity."

Denver here is 50–50. I pointed that out to the committee in the House of Representatives. I read young P. D. Armour's letter to Uncle Ogden where he said (mind you, they say they buy in this peculiar way because it is plant capacity) young Philip D. Armour, 3d, writing from Denver, October 19, 1915, says:

"Of all the plants we have, this one certainly needs our first attention. In my opinion, the best part of it is as bad as the worst part of any of your other plants. Swift's plant, from what I hear, and from the little I saw of it, is far ahead of ours, both as to the size and condition. Of course, as you know, everything here is done on a 50–50 basis."

How can you be far ahead and far behind both as to size or condition? How can you be that if you are 50–50?

"Of course, as you know, everything here is done on a 50–50 basis, and with the facilities we have it is almost impossible to keep up this ratio."

Well, I noticed in the paper what Mr. Armour said yesterday to the House committee which asked him about this 50–50 letter. He explained it by saying there was no agreement. I am quoting from newspaper: "Naturally in Denver, where there were only two of us, the division would be 50-50." Well, that is a better explanation than "plant capacity." I don't know but what it is about right, but you see, then, "naturally"—the laws of "nature" and of the packers—don't seem to make any provision at all for anybody else because 50 and 50 are 100 per cent. His answer to the House committee was that "When we are in town naturally it is 100 per cent for us." I think that is correct.

Now, we will come down to the legislation. We could talk to you about profits and that sort of thing, but we will not do that.

Now, all the war restrictions that have been put on will soon be off and some sort of legislation is urgent unless you are going to go back to the same condition that you were before the war.

Some slight progress has been made. Whenever you gain an inch of ground you want to hold it. Whenever you find that you can gain an inch of ground that is proof you can gain two inches more. Go after them and keep after them.

We do not come to recommend any bill. That was not our job. Our job was to find the facts and it is up to Congress to find a bill. The so-called Sims bill provides for licenses. They say that it provides for Government ownership. It does nothing of the sort. They say it appropriates $500,000,000. It does nothing of the sort. It

authorizes an appropriation to be made by another bill which must separately go through Congress if it is found necessary to go the whole route.

It simply is a declaratory statement that Congress has made up its mind that it is going to stop this sort of thing.

When they tell you it is Government ownership it is nothing of the sort. There is not a dollar nor a cent appropriated under the terms of the Sims bill.

Now, any bill that you have, I don't care what it is, or who writes it, the bill will not amount to much unless it is administered. Nine-tenths of any law is in its administration. The best law ever written can be ruined in its administration, and a pretty weak law can be made to work pretty well if the administrator is on the job and will not be bluffed.

So I would say that the most important thing, and even more important than the terms of your legislation, is to be sure of the administration of it and keep your eyes on the administrator always, whoever he is, because the other people never take their eye off of anybody.

Senator Kendrick has drawn a bill aimed at the heart of this whole difficulty. It is a bill that I think you have all seen and discussed. None of these bills as are drawn at first are the bills that are finally enacted into law. These things are worked over and over when it comes to the finish; many minds, many hands, have made many changes, but this is what I want to say: That I don't want to give an opinion as to any bill—that I believe in this bill or that bill, but I will tell you what I will say, and you will go with me—I say that I put my faith and confidence in Senator Kendrick, and that when the final roll call comes and you get to the show-down, the bill you find him voting for will be good enough for you and that is good enough for me. [Applause.]

Mr. VEEDER. It is in the American Live Stock Yearbook for that year. I forget which year it was; I think it was two years ago.

Mr. HEFLIN. Where were you living when you were appointed on the Trade Commission?

Mr. COLVER. My residence was then St. Paul.

Mr. HEFLIN. You are familiar with the Kenyon bill as introduced sometime ago in the Senate, are you not?

Mr. COLVER. Somewhat; yes, sir.

Mr. HEFLIN. Were you in favor of that bill or not?

Mr. COLVER. Yes; I think, generally speaking, it has and had very many good points.

Mr. HEFLIN. You are familiar with the Gronna bill that is now pending in the Senate?

Mr. COLVER. I have not read that as carefully; I have not read a complete copy of it yet.

Mr. HEFLIN. Mr. Tincher asked you something about a report you had made and that the public had not had the benefit of it—a report made about a year ago. Was not your report published in the newspapers of the country?

Mr. TINCHER. I do not want to interrupt, but I never asked, I think, any questions that bear on that.

Mr. HEFLIN. It was this morning.

Mr. LEE. He referred to the report of the Agricultural Department.

Mr. COLVER. I do not recollect what you referred to. Perhaps you can help me.

Mr. HEFLIN. Did you not make an investigation of the packers a year ago and make a report on that?

Mr. COLVER. Yes.

Mr. HEFLIN. Was not that report published in the press of the country?

Mr. COLVER. It was published as a public document by the Public Printer.

Mr. HEFLIN. I understood Mr. Tincher to ask you this morning if the country had not been denied the benefit of your report, and I understood you to say it had.

Mr. COLVER. I do not remember either the question or answer; I am sorry.

Mr. HEFLIN. It is a fact, then, that the country has had the benefit of your report——

Mr. TINCHER (interposing). Before you proceed further, I want to enter an absolute denial of ever asking such a question or having received such a reply.

Mr. RIDDICK. If you will excuse the interruption, I understood there was a report made which was in the hands of the Public Printer, but which had not yet been made public.

Mr. COLVER. That was the report of the Department of Agriculture.

Mr. HEFLIN. That was not the one I was talking about. I was talking about the one made a year ago.

Mr. YOUNG. You are mistaken, Mr. Heflin.

Mr. HEFLIN. Is this matter which we are going into here the same as was gone into before the Senate Committee on Agriculture?

Mr. COLVER. Yes

Mr. HEFLIN. All of these matters have been gone into and the testimony taken and printed?

Mr. COLVER. Yes, sir.

Mr. HEFLIN. You know something about Mr. Palmer's settlement with the packers. Do you not think that the settlement obtained by him has gone a long way toward correcting the evils that the country has been complaining about?

Mr. COLVER. Well, as I said this morning, I have not seen the decree. I do not know that anybody has seen the decree. It has not been filed and has not been entered. I have read the synopsis of the decree that has been made public. I have read the comments and discussions, some of them, on the decree that have been made by some of the defendants in the case. And, as I said this morning, I think that in so far as the defendants in the case say that they have given up legal rights and that the decree has gone beyond the law, then that it would be a good thing to create law to catch up, with that relinquishment of rights. If you have had legislation by consent decree, I do not think that is the best way to get legislation.

Mr. HEFLIN. Is it your opinion that the present law does not reach certain evils?

Mr. COLVER. Yes; it is.

Mr. HEFLIN. And you recommend legislation?

Mr. COLVER. Yes.

Mr. HEFLIN. Would you state briefly just what additional legislation you think should be passed?

Mr. COLVER. Yes. I think the legislation in the first place should recognize as a principle of law the principles that seem to underlie this consent decree. I think these principles which seem to underlie the consent decree should be applied to all in the industry instead of to five.

Mr. HEFLIN. You think, then, the decree that Mr. Palmer has written or that has been agreed to should be a basis for legislation? The law safeguarding the public should be full and complete.

Mr. COLVER. I would say that some of the things in it should contribute to the legislation. I think that if the decree recognizes—and the law now does not—that the rolling stock and special equipment cars used to handle a necessary food product which moves constantly

and in very large volume, so that it provides a constant load for the common carrier, that equipment should be provided by the common carrier for the equal use of all desiring to ship or to use it. I think that is one of the things important to be accomplished.

I think that the principle should be recognized by the law that there is competition—and if there is competition, there may be uninterrupted competition, or unfair competition or monopoly—as between commodities as well as between competitives in the same commodity.

I think that is a proper subject for legislation at this time.

Mr. HEFLIN. Are you and Mr. Palmer, the Attorney General, in accord as to the remedy to be applied?

Mr. COLVER. I can not say; I do not know what his idea is.

Mr. ANDERSON. Mr. Chairman, in view of the objection to the line of questioning as proposed by Mr. Tincher, I suggest that this line of questioning is likely to lead into politics.

Mr. HEFLIN. I do not think there is any politics in this matter, except that which comes from the other side.

Mr. WILSON. We all agree there is no politics in the Democratic Party.

Mr. ANDERSON. Judging from the recent appointment of the Secretary of State.

Mr. HEFLIN. Oh, well, a man good enough and smart enough to leave the Republican Party and come into the Democratic Party is worthy of consideration.

Mr. WILSON. Go ahead. I was suspicious in what I said.

Mr. HEFLIN. You say you have not read this settlement Mr. Palmer has had with the packers?

Mr. COLVER. I read only that part which has been made public up to this time—the press statement.

Mr. HEFLIN. Then you do not know how full and complete the settlement made by the Attorney General is?

Mr. COLVER. Not beyond that, no.

Mr. HEFLIN. Then you could not say whether that settlement is sufficient to regulate them or not?

Mr. COLVER. Well, I think that decree, as I have seen it—and, as I have said before, there is 10 per cent efficiency in the decree and 90 per cent in operation, or the way it is lived up to. I think the decree, looked at as a decree, is very good, but I do not think it is legislation.

Mr. HEFLIN. That is all.

Mr. HUTCHINSON. Mr. Colver, I just want to ask you one question. I am not sure I understood what you said in your statement about substitutes. Did I understand you correctly that you or your commission recommends the restraining of the production in reference to substitutes?

Mr. COLVER. Oh, no.

Mr. HUTCHINSON. Well, Crisco and oleomargarine and all those things are made by the packers.

Mr. COLVER. Crisco is only a name. The substance itself is made by other than packers.

Mr. HUTCHINSON. Crisco is a substitute for lard?

Mr. COLVER. It is just a name of a particular brand that is put up.

Mr. HUTCHINSON. It is not lard.

Mr. COLVER. It is a lard substitute, but others make lard substitutes just the same. I mean Crisco is not a separate and specific article or commodity.

Mr. HUTCHINSON. Ever since I have been on this committee it has been recommending increased production. It seems to me that you people are trying to decrease production.

Mr. COLVER. I think not.

Mr. HUTCHINSON. By restraining it.

Mr. COLVER. I think not.

Mr. HUTCHINSON. Certainly you are, unless I have not got it clear in my mind. You are going to pass laws to restrain production.

Mr. COLVER. I do not think there was ever anything contemplated or suggested in the way of passing any law that would restrain production.

Mr. HUTCHINSON. Then you have no objection to increasing production, providing there is competition?

Mr. COLVER. I think the more production we can have the better.

Mr. HUTCHINSON. You do not object to the packers or anybody else producing all they can?

Mr. COLVER. There is the question.

Mr. HUTCHINSON. That is what I am getting at.

Mr. COLVER. I do not think it would be to the public interest—I am trying to think of a simple, ordinary comparison—well, I do not think it would be a good thing if the United States Steel Corporation, which is a very large, efficiently managed concern and thoroughly integrated in the production of iron and steel, which iron and steel is very greatly used in building operations of all sorts, including shipbuilding—I do not think it would be a good thing, I do not think it would be in the public interest, for those very large, practically dominating factors in the steel industry to gather to themselves a very large portion, or even to start in with a relatively small interest with every intent of extending it and making it larger as time goes on, in the production and sale of cement and of lumber, which are competing commodities for building purposes. I do not think that would be a good thing.

Mr. HUTCHINSON. If they reduced the price, it would be?

Mr. COLVER. What?

Mr. HUTCHINSON. If they reduced the price it would be, would it not?

Mr. COLVER. I think not. I do not see why it should. I can see now that if cement competes with steel beams and that steel competes with cement, and lumber competes with cement and cement with lumber, that the tendency would be more for a lower price of all three than it would be if they were not in competition with each other in price and service.

But I should not say at all that the remedy would be to curtail production of cement, nor of lumber, and I think that the production of cement and lumber would tend to be not curtailed but increased if they were in active competition in separate ownerships with the steel.

Mr. HUTCHINSON. Supposing, then, that we should stop the manufacture of oleomargarine. Does that increase the price of butter?

Mr. COLVER. That I do not suggest. The stoppage of the manufacture of oleomargarine; I have no such thought.

Mr. HUTCHINSON. And none of the substitutes?

Mr. COLVER. No; there is no such thought.

Mr. HEFLIN. What objection do you see to allowing them to make oleomargarine yellow, the color of butter, if they brand it as oleomargarine.

Mr. COLVER. I think that is a Department of Agriculture question.

Mr. HEFLIN. I am asking your opinion. Some want the butter people to have the right to make butter yellow, but they do not want to permit a man who wants to manufacture oleomargarine to make the oleomargarine yellow, even if he brands it "oleomargarine." Do you see any reason or justice in that position? Is it a discrimination against cottonseed oil, a wholesome food product?

Mr. COLVER. I might suggest, I think, that perhaps I have not stated the principle I have in mind clearly. It is not an objection to the manufacture by the meat packers of oleomargarine; not at all. That is useful utilization of by-product; but after manufacturing oleomargarine, then I do not think it is a good thing to control or enter into the dealing in butter, which is the competing product to oleomargarine. I was not objecting to them engaging in the oleomargarine business; I was objecting to them engaging in the butter business.

When you carry integration beyond the point where the proportion of the product of the slaughterhouse becomes very small and the proportion of other things becomes very great, then that is carrying it beyond reason, I think; yes. But we never have suggested any reduction in the manufacture or reduction in the production of any foodstuffs; never.

Mr. RIDDICK. Mr. Colver, has your commission given any consideration or made any recommendation as to legislation as to stabilize the price of these products to the actual producers, the man back on the farm?

Mr. COLVER. Not specifically, other than to point out and urge that the producer's access be free to the markets; that there be no barriers in his way; that when he goes into a market he goes into a free market, and to a degree, I think, the suggestion of legislation that would tend to bring his market nearer to him.

Mr. RIDDICK. As a raiser and shipper of cattle for many years, I have had this experience: When I ship cattle to market, I find that the price varies from day to day, sometimes fluctuates quite violently, depending upon the number of cattle in a given market and not depending on the large supply over the country as a whole. Is that not fictitious supply and demand?

Mr. COLVER. That is localized supply and demand.

Mr. RIDDICK. I wondered if your commission had given time to the consideration of this: The man who ships freight on the railroad, and the railroad companies can not always agree on what the just price will be, the Government steps in, with the Interstate Commerce Commission as a sort of arbiter, to help arrive at a fair charge for shipping freight. Might there be an economic, sound arrangement made whereby some representative of the people or the Government would step in between the shipper and the man who buys stock and have something to say about a fair price?

Mr. COLVER. There is nothing in any of the recommendations or suggestions by the commission that could be read to mean what you have stated. As for myself, I do not think much of price fixing; I am against that.

Mr. RIDDICK. So am I, and yet I am not against the railroad commission helping to fix the price of freight and passenger rates.

Mr. COLVER. There is a different background for rate fixing. The railroad is a public utility; the railroad is a creature very largely of the State by reason of its right of way being secured by the right of eminent domain. It is a common carrier; it has a practical monopoly of its transportation business. There are some paralleling railroads, but generally speaking the shipper has the choice of only one route over which he shall ship. That being true, I think, founded on that, price fixing or rate fixing, which is the same thing, is not repugnant. But I hardly think it goes beyond that with safety.

Mr. RIDDICK. Would you think that the rather violent fluctuations in the price of live stock from day to day could be provided against? For instance, the Monday price of live stock is usually always higher than on Tuesday; if a day is rainy in the stockyards, so that the stock are not handled readily, the next day is apt to be a glut and the price goes down, although the cost of raising that live stock and producing it is the same, and the man who happens to strike a market of that kind suffers a loss through temporary bad weather conditions at a local stockyard point.

Mr. COLVER. The commission's suggestion with respect to that situation was rather the taking of another method of reaching the same end that is in your mind. In the first place, it was that market information and the mediums of market information be supplied to the shipper by at least an absolutely unbiased medium. Then reference was made and is made to a Government work that could be done more extensively than is done, and which I think is very useful, that is the work of the report of the Bureau of Markets in the department of Agriculture.

If those reports were made as to mean animals as they are with respect to quite a number of other commodities—I mean, in the detail as they are with respect to quite a number of other commodities—I think it would stabalize the market, steady the market in the public interest. I think then you would avoid the localized gluts and the localized famines. I think it would not be long before the shippers on a given line of road would come to be able to avoid, by timing their shipments so that there would not be the Monday morning tie up.

But if that is going to be worked out—and I think it will be—I think it will be worked out by a combination of very proper dissemination of information by the Government. I do not think it is any more paternalistic or socialistic or any other kind of istic to give information of that sort than it is to give information to everybody in the country about the state of the weather and the probable state of the weather. I think the state of the market in any market is a very proper subject of information to be publicly distributed, without favor, without bias, and promptly. And, combined with that, the assurance which was taken notice of in the synopsis of the Consent decree, which I saw and which is also one of the suggestions of the commission, that market papers and market reports

when in private hands—and they may properly be in private hands, not connected with either the buyer or the Government, I think that makes for fair markets and fair market conditions. But when it comes to going further and having Government authority or any authority fixing price, I can not go with that theory very far.

Mr. RIDDICK. I am not recommending that theory, although I will say that not only producers of live stock but of grain are hoping some way may be found to stabalize values so that there will not be violent fluctuations when they come to sell, and then when the goods reach the consumer they seem to be sold based on the highest peak that these fluctuations reach, while the major part of grain and live stock are sold below the peak, and therefore are sold at a ver7 considerable loss to the producer as compared with what the consumer has to pay.

Mr. COLVER. I think that condition is bound to be recognized.

Mr. HEFLIN. Being unjust to the producer and to the consumer alike?

Mr. RIDDICK. Absolutely. In other words, I have had this experience in shipping many carloads of live stock: One ear might be set off on a siding because of a hot box and arrive the next day. The steers in that car cost as much to raise as the steers which arrived at the market the day before, and yet they would sell for a greater or lower price depending upon fictitious or localized law of supply and demand. And when it reaches the retail market and the consumer buys it in steaks or whatever it may be, he pays a sort of standardized price which is based on the highest price paid to the producer. So, whenever the producer sells below the peak, he is selling at a price which gives the packer or some middleman an extra margin of profit. In other words, the middlemen step in and absorb this extra margin of profit. The producers of the meat and grain are hoping that some way will be found to remove unnecessary middlemen or middlemen who are deriving a profit far above the service they are rendering the public. And I was in hopes your commission would have something definite along that line to recommend.

Mr. WILSON. Why not suggest the fixing of the prices of cattle like we do that foe what?

Mr. RIDDICK. I do not believe in price fixing; I have not felt that is economically sound. On the other hand, I have felt that this price fixed on any one day, for instance, in Chicago, by somebody, is not fixed by the law of supply and demand over the Nation. It is more or less arbitrarily fixed, and I think perhaps that if the governmental agency were to step in and help fix that price it might be desirable. I have believed that if a commission were created, to be composed of one practical packer, one practical raiser of live stock, and one other successful business man to represent the public or the consumer, that this commission could work out practical, commonsense methods of handling live stock and live-stock products and of arriving at prices day by day based on the law of supply and demand and actual cost of production, and actual values of meat to the consumer. We know that beefsteak costs the same at the local butcher shop week after week throughout a season, and at the same time the cattle from which those beefsteaks are cut are bought at a wide range of prices that violently fluctuate from day to day. These

in prices are, in my judgment, not created through sound causes. These fluctuations are the basis of large profits by scalpers and packers. These fluctuations in prices paid to the farmers provide the means of exacting excessive toll without rendering real service, and this toll aggregates fortunes which are being made off the meat business by people who render little or no service to the producer or the consumer. This is wrong, and I believe the right kind of a commission could at least reduce this evil.

Mr. ANDERSON. Mr. Colver is willing to yield for a few moments, I would like the committee to hear Mr. Warren Stone, of the locomotive engineers, whom I imagine wants to speak from the standpoint of the consumer. He desires to leave on a train in a little while, and I would like to oblige him.

STATEMENT OF MR. WARREN S. STONE, GRAND CHIEF OF BROTHERHOOD OF LOCOMOTIVE ENGINEERS, WASHINGTON, D. C.

The CHAIRMAN. The committee will be glad to hear Mr. Stone. Kindly give your full name.

Mr. STONE. My name is Warren S. Stone; grand chief of the Brotherhood of Locomotive Engineers, the executive officer.

I am speaking, Mr. Chairman, not only as the representative of the engineers, but more largely from the standpoint of an American citizen, first, and as a so-called labor leader afterwards. I am also the treasurer of the organization.

We have recently formed the American Farmer Labor Cooperative Congress, representing the laboring men of the country, the farmers, and the cooperative associations, both retail and wholesale. We are trying to find some way to solve the present high cost of living. We appreciate that from the standpoint not only with regards to the workers, but the standpoint of the consumers as well. I think a few of the American people really give consideration to the fact that these 4,000,000 workers represented in the organized labor, of which 2,100,000 are in railroad organizations, are also consumers, and with their families, represent about 7,000,000 or 8,000,000 of our people, and they are vitally interested in this cost of living.

We have arrived at the point where it is almost a breaking point, and we can not stand much more. In our opinion what must be done to bring about a permanent solution of this question is further railroad transportation, whether Government control or private control, that does not enter into the question at all at the present time—to have control of these stockyards and these terminals and also for them to have control of refrigerator car lines, so that we can have the perishable foods brought to our distributing centers, and so that all people can serve that can be served alike and not have it in a monopoly in the hands of a few. It is almost impossible for the local or individual shipper to secure refrigerator transportation. We want to have control of these terminals—the stockyards—so that all of our farmers and producers can have the same treatment and fare alike, and where they can be guaranteed that any shipment of theirs, be it large or small, shall receive the same consideration, where all the buyers can come.

We must have a reduction in this cost of living. There is no use to go on with this constantly climbing spiral increase of wages and increase of cost of living, with the wages never quite catching up. If we are going to exist as a nation, American people, we have got to find some solution of it. In our opinion, nothing will do more to solve this one problem or help solve the problem than this question of the stockyards, the question of the control of the stockyard terminals and the question of control of our refrigerator lines.

That is about all the statement I care to make, and although I would be glad to answer any questions if you care to ask them.

I was sorry to be late in coming in, but I have been busy all day on other committees, and I was very anxious to catch the 6.10 train out on time, but until that time I shall be glad to answer questions if anyone cares to ask them.

The CHAIRMAN. Have you given some thought to the proposed legislation?

Mr. STONE. I have not had time to analyze it like I should. At our conference in Chicago, with over 500 delegates present, representing over 4,000,000 people, we indorsed the general principles of the bill, as I understand it.

Mr. HEFLIN. Whose bill?

Mr. STONE. The Kenyon-Anderson bill.

The CHAIRMAN. We are very grateful to you, sir.

The committee will now take a recess until 10 o'clock to-morrow morning.

(Thereupon at 5.15 o'clock p. m., the committee stood adjourned to meet to-morrow, Thursday, February 26, 1920, at 10 o'clock a. m.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

THURSDAY, FEBRUARY 26, 1920

PART 3

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Thursday, February 26, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

STATEMENT OF HON. WILLIAM B. COLVER, MEMBER OF THE FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. Mr. Anderson, you may proceed.

Mr. ANDERSON. Mr. Colver, you referred in part of your testimony to a proposal to require the registration of the true issue of stock in concerns doing an interstate business?

Mr. COLVER. Yes, sir.

Mr. ANDERSON. The Federal Trade Commission has been conducting a number of hearings and investigations of a great many concerns, I imagine. Has it been your experience that various devices are used for the purpose of covering up the ownership of stock or the operations of the board of directors of corporations?

Mr. COLVER. Yes, sir; as to stock ownership, that is true, and concealed management by means of dummy officers.

Mr. ANDERSON. I wish you would develop a little more, if you can, the difficulty of an adequate administration of the Federal Trade Commission act or a similar act under conditions where it is impossible to know accurately where the ownership of the business is.

Mr. COLVER. I think, for instance, in this legislation that is directly under consideration here now, and also in the administration or supervision or enforcement of the consent decree, so far as we are acquainted with it, in both cases divestment of ownership of the stockyards is provided for. I do not think it is possible under the present arrangement for the holding of the ownership of the Chicago Stockyards to know whether that decree or whether this legislation, if it should become a law, is complied with; it is absolutely impossible to know—utterly impossible.

Mr. ANDERSON. What I was getting at was this: It seemed to me that the intent of the Federal Trade Commission act was to put interstate business—the methods of doing interstate business—under a species of Federal supervision. I do not see how you can adequately administer that act without regulations sufficient to enable you to know who you are dealing with.

Mr. COLVER. That is very true.

Mr. ANDERSON. You do not know, to start with, whether you are considering a matter of unfair methods of competition—whether the people engaged in the competition are actual competitors or not. You might have to engage in an investigation of considerable size to determine that the persons involved in the controversy were competitors. Is that not true?

Mr. COLVER. That is true.

Mr. ANDERSON. There is one feature of the matter of regulation or supervision involved in this bill and, indeed, in almost every regulatory measure which gives me some concern: It is claimed that regulations, even though impartially enforced, fall more heavily upon the small institution than upon the large institution. Has there been anything in your experience that has brought any light on that question?

Mr. COLVER. I do not think that reasonable regulations of any sort, properly and sanely enforced, fall hard on anybody, ever. A proper regulation properly enforced can not possibly hurt anybody in the conduct of business properly.

Mr. ANDERSON. A great many business people seem to think that any regulation is an interference with their business. You go to the other extreme of the proposition, and say that no regulation is an unfair interference in business. I do not know that I could subscribe to either proposition. For instance, I have in mind this: It is claimed that the meat-inspection act falls more heavily upon the small packer of hogs than the large packer of hogs. That is, if the small packer happens to be located in a section where the percentage of tubercular hogs is large he gets the entire disadvantage of that large percentage of tubercular hogs, whereas the large packer, having plants located in different sections of the country, has only the disadvantage of the average of all the tubercular hogs at the different points. It is very generally claimed that regulatory measures fall more heavily upon the small concern than they fall upon the large concern. I simply want to know whether, from your large experience, that is true?

Mr. COLVER. I would say that is not true, but the alternative is this: Shall the people of the country eat tubercular meat or shall they not?

Mr. ANDERSON. That, of course, is true. I am not arguing that there ought not to be a meat-inspection act. I am trying to get at whether there could be a classification, say, of the people engaged in the business which would permit of a different character of regulation with respect to a concern which had $100,000,000 worth of business than is imposed upon a concern doing $1,000,000 worth of business?

Mr. COLVER. That immediately recognizes the principle of dealing with different concerns on a basis of mere size. That is a principle that has never appealed to me at all. I see no reason for classifying business concerns or individual effort by reason of size. That is a principle that does not appeal at all to me.

Mr. ANDERSON. Is it your opinion that it is impossible for one concern or a combination of concerns to be so large or to exercise so strong a domination in connection with the production and distribution of a particular article as to be a menace to the country?

Mr. COLVER. It is possible in the absence of just and reasonable regulation which prevents the turning of magnitude into an exercise of an unfair advantage, a predominant advantage, but that again is not a matter of size, it is a matter of the use of the size. I do not object to size at all.

Mr. ANDERSON. You spoke about competition between commodities as well as competition between concerns. I have seen a suggestion recently that might be wise, to provide that no single concern shall control the purchase, manufacture, and distribution of a larger percentage than a given percentage of the commodity. What do you think of that sort of an idea?

Mr. COLVER. There, again, the recognition of the principle of size or proportion of an industry comes in, and it does not appeal to me at all. I do not believe in class legislation, and the percentage that might give dominance or preponderance in the production or distribution of one commodity might not at all do that in the case of another commodity. It is quite conceivable that one thing might be practically controlled in the market by the control of 10 or 15 per cent of the marginal supply, while another commodity could not be controlled; that is, the industry could not be controlled by a control of 80 per cent of it.

Mr. ANDERSON. Without reference to the economic soundness of the theory of preventing control by prohibiting the control of more than a certain percentage of a commodity, the practical difficulty connected with doing that makes it impracticable in any event?

Mr. COLVER. I think so. Besides this is an assault on size and an indictment of size.

Mr. ANDERSON. I think that is all I want to ask him, Mr. Chairman.

The CHAIRMAN. Mr. Voigt, you may proceed.

Mr. VOIGT. Mr. Colver, I want to ask you whether there was any conference or communication between your commission and the Attorney General's office with reference to this proposed decree?

Mr. COLVER. I would have to say "Yes" to that.

Mr. VOIGT. If you can, I wish you would state briefly what the nature of the conference was.

Mr. COLVER. I am trying to remember to get it clearly in mind before I attempt to answer. I should say principally and almost wholly that there were certain commodities which were included in the decree, and certain commodities which were not included in the decree, and there were questions asked to verify or check over the material we had as to those schedules, as to the amounts of the various commodities in various schedules or proposed arrangements. There was never any discussion, I think, about the form of the decree. I know there was not. I have not seen the decree. I do not think any member of the commission has seen it. To answer you, perhaps, this way: As to having been in the conference in an advisory way, in a participating way, no, but we supplied from time to time references to records and papers and that sort of thing which might have been and were undoubtedly in aid of the negotiations, yes.

Mr. VOIGT. What I want to get at is whether you were in any way consulted with reference to the advisability of this decree?

Mr. COLVER. I do not think that we made any expression at all on that subject.

Mr. VOIGT. Do you approve of the packers carrying any side lines at all, such as leather, poultry, and dairy products?

Mr. COLVER. I think I can answer that "Yes" in part and "No" in part. Undoubtedly the packing house has its products where the products are by-products which are proper, useful, and economical for the packers to be engaged in. That would carry leather only to the point where the hide itself becomes of less value than the manufactured product, perhaps. I do not say that poultry, butter, eggs, or cheese are related in the slightest degree to the packing-house products; they are not packing-house products.

Mr. VOIGT. You consider it for the advantage of the people of this country to have the packers handle poultry, eggs, butter, and cheese?

Mr. COLVER. No.

Mr. VOIGT. If it were in your power, would you divorce them from the handling of these commodities?

Mr. COLVER. If it were in anybody's power, I think it would only be in his power by virtue of legislative enactment. I should favor such legislative enactment; yes.

Mr. VOIGT. I ask you for the purpose of getting your view.

Mr. COLVER. I think legislation of that sort is useful; yes.

Mr. VOIGT. You would permit them to engage in the tanning business for the purpose of tanning hides and others which they buy?

Mr. COLVER. Yes, sir; I think so.

Mr. VOIGT. You spoke yesterday about the peculiar arrangement for controlling the ownership of the Chicago Stockyards.

Mr. COLVER. Yes, sir.

Mr. VOIGT. Have you ever been able to state the percentage of ownership that the packers have in the Chicago Stockyards?

Mr. COLVER. No; only the ownership of J. Ogden Armour, which later, he said, had passed to the Armour Co.; aside from that, no. There was some ownership in a man named Prince, an undetermined ownership as between F. H. Prince and his wife. At one time it was said that he owned a proportion and at another time that he owned a less proportion than his wife. Aside from those three individuals, no ownership has been found, except the dummy directors.

Mr. VOIGT. Has the secretary who issued these certificates payable to bearer ever been questioned with reference to the ownership?

Mr. COLVER. He was questioned in extenso. He has no more idea and no more means of knowing than you have or I have. The books do not mean a thing.

Mr. VOIGT. The voting is actually done without mentioning the name of the party casting the vote?

Mr. COLVER. Absolutely; it can be.

Mr. VOIGT. I understand that it can be; but what is the actual procedure?

Mr. COLVER. I have not attended a meeting. There is no reason: absolutely no reason. The officer under examination did not know who the stockholders were; he did not have any idea.

Mr. VOIGT. Have you ever tried to trace the indorsement on the checks which have been given in payment of dividends?

Mr. COLVER. There were no checks given. A coupon not requiring indorsement was all that was necessary to collect the dividend, and therefore there was no dividend check. There was one dividend

check, an omnibus dividend check, which went to the treasurer and was deposited by the treasurer to himself.

Mr. VOIGT. The coupon is then presented at a bank?

Mr. COLVER. At any bank for collection.

Mr. VOIGT. The coupon is payable to bearer?

Mr. COLVER. Yes, sir.

Mr. VOIGT. Who fills out the amount of the coupon?

Mr. COLVER. The amount that it calls for?

Mr. VOIGT. Yes, sir.

Mr. COLVER. It is not filled out.

Mr. VOIGT. I understood you to say yesterday that this certificate of ownership payable to bearer had attached to it 20 or 40 coupons?

Mr. COLVER. Yes, sir.

Mr. VOIGT. Also payable to bearer?

Mr. COLVER. Yes, sir; and the date and amount were left blank.

Mr. VOIGT. Then, of course, the coupon could not be cashed except at the bank which was advised of the dividend?

Mr. COLVER. The bank in which the special dividend account is kept is the only one who knows what the dividend is. Through any other bank it would have to go simply for collection.

Mr. VOIGT. This bank would pay them as it would pay a dividend on a Liberty bond?

Mr. COLVER. Yes, sir; and with no more indorsement.

Mr. VOIGT. What is the value of the property, approximately, if you know, of the stockyards?

Mr. COLVER. Of the stockyards property?

Mr. VOIGT. The amount of property that is owned by this corporation.

Mr. COLVER. That would be very difficult to say. The property that is owned by this particular corporation is stock of other corporations, and then you would have to get the valuation of that stock, and so on. The corporation itself is capitalized at $8,000,000, of which $1,000,000 is paid in, I believe.

Mr. VOIGT. The property owned by the various corporations is the stockyards property?

Mr. COLVER. Yes, sir.

Mr. VOIGT. Have you ascertained the income from that property as determined by the amount of income tax paid?

Mr. COLVER. No, sir. This particular subject that you are speaking of now is discussed in part 3 of the commission's report on the meat-packing industry, beginning at page 189, chapter 5, Chicago Stockyards. It is a rather long thing to go into, but I shall be glad to go into it if you wish. It covers nearly 100 pages, from page 189 to page 277. If the members of the committee are interested in this general subject those ninety-odd pages are very interesting.

Mr. VOIGT. I thought possibly that you could give us offhand approximately the value of that property and the income?

Mr. COLVER. I would have to do considerable refreshing of my memory of that thing.

Mr. VOIGT. Let it go, Mr. Colver.

Mr. COLVER. I might be able to find it here.

Mr. LEE. He can insert the figures in the record.

Mr. VOIGT. If you can find those figures, please insert them in the record.

Mr. COLVER. I shall be glad to do so.

(This information was subsequently furnished by Mr. Colver and is here printed in full.)

THE NET INVESTMENT AND THE NET INCOME OF THE CHICAGO STOCKYARDS SYSTEM AS OF DEC. 31, 1917.

Before entering upon a discussion of the net investment and of the net income of the Chicago stockyards system it is desirable to call attention to the opening statement of Chapter V, Part III, of the Report of the Federal Trade Commission on the Meat Packing Industry, showing the relationship of the companies comprising the Chicago stockyards system. This statement reads as follows:

"When the commission began the inquiry into the Chicago stockyards for the purpose of ascertaining, among other things, in whom the ownership and control of these yards were vested, it was found that while the operations of the yards were carried on by an Illinois corporation the ownership of the yards was vested in a New Jersey corporation. It was also developed that a Maine company, though owning less than one-fourth of the stock of the New Jersey company, nevertheless, by virtue of certain contractual relations, is entitled to receive all of the surplus earnings of the New Jersey company and of its subsidiary companies over a certain per cent. Although these contractual relations do not carry any ownership control of the properties of the New Jersey company, this Maine company exercises a practical control over the affairs of the New Jersey company because of the fact that the stockholders of the Maine company attained at one time a majority representation in its management which they have continued to maintain.

"The commission's inquiry developed that the following companies were closely interrelated and subject to the control of the Chicago Stock Yards Co., of Maine (hereinafter designated the Maine company):

"(1) The Chicago Junction Railways & Union Stock Yards Co. of New Jersey (hereinafter designated the New Jersey company).

"(2) The Union Stock Yard & Transit Co. of Illinois (hereinafter designated the Yards company).

"(3) The Chicago Junction Railway Co. of Illinois (hereinafter designated the Railway company).

"(4) The Chicago Junction Railroad Co. of Illinois.

"(5) The Central Manufacturing District of Illinois.

"(6) The Chicago River & Indiana Railroad Co. of Illinois.

"The Chicago Junction Railways & Union Stock Yards Co. of New Jersey, was incorporated in 1890. It was formed as an investment company, for the purpose of acquiring the stock of the Union Stock Yard & Transit Co. of Illinois. Although it soon secured all but 2 per cent of this stock, it did not succeed in acquiring the entire issue till 1913.

"The Union Stock Yard & Transit Co. of Illinois, was incorporated in 1865. This corporation is actually an operating company, engaged in furnishing facilities for the marketing of live stock at the great central market in Chicago. In receipts of live stock and of earnings realized it ranks as the most important stockyards in this country.

"The Chicago Junction Railway Co. was organized in 1898 for the purpose of acting as an operating company to furnish transportation and switching facilities in conjunction with the operations of the stockyards and for the plants located in the vicinity of the stockyards. The facilities of this company, however, have been continually extended and, at the present time, the volume of the services which it performs in its daily operations have reached such a magnitude in the aggregate that the company is readily recognized as one of the most important links of the great railway systems centering in Chicago. The stock of the company is also owned by the New Jersey company.

"The Chicago Junction Railroad Co. is the name given to the elevated railway line which provides for the transportation of passengers within the stockyards. The capital stock of this company is also entirely owned by the New Jersey company.

"The Central Manufacturing District, ownership of which is evidenced by certificates of beneficial interest held by the New Jersey company was organized (by that company) to take over investments which the New Jersey company had made in land adjacent to the Union Stock Yards, of Chicago. It operates primarily as a land development company and owns about 375 acres of what

is considered among the best land now available as sites for manufacturing enterprises in Chicago. There have already been located on land developed by this company some of Chicago's most important establishments. This investment is rated at a value far in excess of the value at which it is carried on the books of the New Jersey company, and there are already signs that in the future the annual income of the New Jersey company will be greatly increased by earnings from this source.

"The Chicago River & Indiana Railroad Co., one-half of the stock of which is owned by the New Jersey company, the other half being owned by Richard Fitzgerald, president of the Chicago Junction Railway Co., is a small railway line operating in Chicago. The New Jersey company has materially assisted this company in obtaining funds in the past and at the present time is the guarantor of bonds which have been issued by the company.

"In addition to the investments described above, the New Jersey company has other investments of less importance."

In attempting to state the investment value of and the revenue derived from what is designated as the Chicago stockyards system cognizance must be taken of the following points:

That the system comprises in the main five companies, three of which are operating companies, the other two being investment or holding companies. The three operating companies are:

(a) The Union Stock Yards & Transit Co. of Illinois (hereinafter designated the Yards company).

(b) The Chicago Junction Railway Co. of Illinois (hereinafter designated the Railway company).

(c) The Central Manufacturing District of Illinois.

The two investment or holding companies are:

(a) The Chicago Junction Railways & Union Stock Yards Co. of New Jersey (hereinafter designated the New Jersey company).

(b) The Chicago Stock Yards Co. of Maine (hereinafter designated the Maine company).

That the figures presented in this statement represent the values at which these properties are carried on the books of the respective companies and do not disclose either their cost value or their present market value.

That $10,000,000 in 5 per cent bonds and $13,000,000 in common and preferred stock were issued in 1890 by the New Jersey company for the purpose of acquiring about 98 per cent of the $13,200,000 outstanding stock of the Union Stock Yards & Transit Co. of Illinois. This meant the substitution of one group of security holders for another group of security holders. It also represented an increase of capital obligations in excess of $10 000,000 without augmenting the working funds of the operating company from which the income was to be derived.

That the creation of the Maine company in 1911 by F. H. Prince and J. O. Armour again brought into existence capital obligations in excess of $10,000,000 without augmenting the working funds of the operating companies upon which both of the investment or holding companies depend for their income.

The net income shown by at least one of the operating companies has been arrived at after deductions have been made from gross income which have the appearance of being in excess of what conservative accounting would include for the same purpose.

Table I shows the consolidated net investment and net income of the five companies comprising the Chicago stockyards system as of December 31, 1917, exclusive of intercompany investments and income. This table is supplemented by statements showing the values at which the holding companies carry their interests in the three subsidiary operating companies. Copies of the condensed balance sheets of the five companies as of December 31, 1917, are presented as Exhibits 1 to 5.

TABLE I.—*Consolidated statement of the net investment and net income of th five companies comprising the Chicago stockyards system as of Dec. 13, 1917.*

[Compiled from statements of the companies after eliminating intercompany investments and revenues

Name of company.	Total assets less depreciation.	Less current liabilities other than note payable.	Net investment.	Net income.
The Union Stock Yards & Transit Co. of Illinois	$17,202,293.99	$1,026,192.02	$16,176,101.97	[1] $1,829,273.0
The Chicago Junction Ry. Co. of Illinois	7,081,406.76	536,558.12	6,544,848.64	185,529.2
The Central Manufacturing District of Illinois	12,822,953.55	285,106.89	12,527,846.66	441,411.0
Total	37,106,654.30	1,847,857.03	35,258,797.27	2,456,213.3
The Chicago Junction Rys. & Union Stock Yards Co. of New Jersey [2]	711,063.81	197,737.14	513,346.67	74,240.8
The Chicago Stock Yards Co. of Maine [2]	1,171,486.75	78,665.20	1,092,821.55	14,672.5
Grand total	38,989,224.86	2,124,259.37	36,864,965.49	2,545,126.7

[1] Includes rental of $600,000 paid by the Chicago Junction Ry. Co. for properties leased from this company
[2] Intercompany accounts eliminated.

THE YARDS COMPANY.

The net investment of the Yards company as shown by Table I amounted to $16,176 101.97 on December 31, 1917. It consisted of the following items:

Capital stock	$13,200,000.00
Surplus	2,476,101.97
Debenture notes	500,000.00
Total	16,176,101.97

The outstanding capital stock and surplus of the Yards company, amounting to $15,676,101.97, has grown out of an original cash investment of $1,000,000 in 1865, apparently without addition of any new cash capital or its equivalent by stockholders. Regular dividends at the rate of 18 per cent have been paid on the $13,200,000 of capital stock from 1890 to 1917, inclusive. Extra dividends were paid between 1913 and 1917, amounting to $1,787,998.50.

THE RAILWAY COMPANY.

The net investment of the Railway company, as shown by Table I, amounted to $6,544,848.64 on December 31. 1917. It consisted of the following items:

Capital stock	$5,500,000.00
Surplus	1,044,848.64
Total	6,544,848.64

This $6,544,848.64 has grown out of an original investment which cost the New Jersey company $500,000 in 1898. The New Jersey company at that time capitalized its investment at $2,200,000 without contributing any additional funds. Up to 1914 the Railway company paid regular dividends at the rate of 6 per cent on this capitalization. At the end of 1913 a stock dividend was declared of $3,300.000, or 150 per cent on the $2,200,000 capital stock. This stock dividend was paid to the New Jersey company.

THE CENTRAL MANUFACTURING DISTRICT.

The net investment of the Central Manufacturing District amounted to $12,537,846.66 on December 31, 1917. It consisted of the following items:

Income certificates, common (in lieu of capital stock)	$10,000.00
Surplus	4,039,664.86
Bonds	3,840,000.00
Amounts due New Jersey company	4,588,181.80
Notes payable	60,000.00
Total	12,537,846.66

With the exception of $3,900,000 of bonds and notes, the net investment of the Central Manufacturing District has grown out of expenditures made by the New Jersey company at various times, aggregating a little over $2,100,000.

This $2,100,000 is the amount at which the New Jersey company carried this investment on its books in 1917, though the Central Manufacturing District showed the amount due the New Jersey company as $4,588,181.80. Examination of the balance sheet of the Central Manufacturing District shows that the bulk of the net investment consists of reinvested earnings and increment in property values. Up to 1917 the New Jersey company had not received any income from this investment.

THE NEW JERSEY COMPANY.

The net investment of the New Jersey company other than its holdings in the three subsidiary operating companies, as shown by Table I, amounted to $711,083.81 on December 31, 1917. This net investment consisted of the following items:

	Carried on books at value of—
Securities of minor companies:	
(1) 1,513 shares of the National Wool Warehouse & Storage Co	$20.00
(2) 2,497 shares of the Chicago River & Indiana Railroad Co	10.00
(3) 500 shares of the Chicago Junction Railroad Co	10.00
(4) 160 bonds of the Midland Warehouse & Transfer Co. (denomination $1,000)	160,000.00
(5) 2,500 4 per cent bonds of the Indiana Harbor Belt Railroad Co. (denomination $1,000)	50,000.00
(6) Notes receivable of the Chicago Junction Railroad Co	144,000.00
Total securities of minor companies	354,040.00
Cash in banks, etc	154,542.81
Accounts receivable, etc	202,501.00
Total net investment (eliminating intercompany accounts)	711,082.81

The net income of the New Jersey company during 1917 (eliminating intercompany income) amounted to $74,240.85, as shown on Table I, and was derived from its net investment (intercompany accounts eliminated) of $711,082.81.

The values at which the New Jersey company carried its investments on its books on December 31, 1917, in the three subsidiary operating companies were as follows:

132,000 shares of the Union Stock Yard & Transit Co. of Illinois (par value $100)	$22,740,455.59
54,991 shares of the Chicago Junction Railway Co. of Illinois (par value $100)	5,499,100.00
The Central Manufacturing District of Illinois (beneficial interest and loan)	2,162,283.62
Total	30,401,839.21

The New Jersey company was formed in 1890 with a capital stock of $13,000,000. At the same time $10,000,000 in 5 per cent bonds were issued. The proceeds from the issue of $23,000,000 of stocks and bonds were used to acquire about 98 per cent of the $13,200,000 outstanding stock of the Yards company. Thus, although more than $10,000,000 was added to capital obligations which depended for its income on the operations of the Yards company none of the proceeds from the sale of these securities went to increase the working funds of the Yards company.

The net income received by the New Jersey company, from 1890 to 1917, from its investment in the stock of the Yards company and from other investments subsequently made and paid for, largely out of the income from the various investments, was sufficient to pay interest on its bonded indebtedness, which in 1917 amounted to $14,000,000. This consisted partly of the $10,000,000 in bonds issued in 1890, the purpose of which has already been explained. In 1893 the New Jersey company gave Armour, Swift, and Morris a bonus of $3,000,000 in 5 per cent income bonds which were subsequently refunded in 1900 through the issue of $4,000,000 4 per cent gold collateral trust bonds. In addition to the $3,000,000 bonus paid to Armour, Swift, and Morris the New Jersey company paid bonuses to smaller packers between 1893 and 1903 aggregating $1,640,000.

The net income of the New Jersey company has also been sufficient to pay 6 per cent dividends on its $6,500,000 of preferred stock and regular dividends

at the rate of 8 per cent on its $6,500,000 of common stock. On December 31 1917, the balance sheet of the New Jersey company showed that a surplus had been created in excess of $3,400,000.

THE MAINE COMPANY.

Table I shows that the net investment of the Maine company amounted to $1,092,821.55 on December 31, 1917. This represented its assets other than its investment in the New Jersey company. The net investment of $1,092,821.55 consisted of the following items:

Cash on deposit	$511,486.75
Notes receivable (Armour & Prince)	660,000.00
Total	1,171,486.75
Less current liabilities amounting to	78,665.20
Net investment (eliminating intercompany accounts)	1,092,821.55

The net income on this investment as shown in Table I amounted to $14,672.57. The income received by this company during 1917 from the New Jersey company and its subsidiary companies has been excluded in arriving at this figure.

The values at which the Maine company carried its interest in the New Jersey company and its subsidiary companies on December 31, 1917, were as follows:

31,100 shares common stock, New Jersey company (par value $100)	$6,220,000.00
100 shares common stock, New Jersey company (par value $100)	65,000.00
The Plan	7,000,000.00
Total	13,285,000.00

The Maine company was organized in 1911 by F. H. Prince, of Boston, Mass., and J. O. Armour, of Chicago, Ill., with a capital stock of $8,000,000, of which $1,000,000 was paid in cash. The company was organized for the purpose of acquiring the control of the Chicago stockyards system which since 1890 had been held by the New Jersey company and to secure for the Maine company the large surpluses of the companies making up the system. Certain contractual relations were established with the common stockholders of the New Jersey company whereby the Maine company (and through it Prince and Armour as organizers of that company) acquired title to the earnings of the New Jersey company and its subsidiary companies in excess of a stipulated rate. The title thus acquired was capitalized at $7,000,000 and designated as "The Plan" on the books of the Maine company. (For details see page 247 of Part III, Report of the Federal Trade Commission on the Meat Industry.) Capital stock of the Maine company to the amount of $7,000,000 was issued constituting an offset to the value placed upon "The Plan."

As part of the arrangement for securing control the the New Jersey company the Maine company acquired 31,100 shares of the common stock of the New Jersey and issued 5 per cent bonds therefor amounting to $6,220,000, or at the ratio 2 to 1 in bonds for stock. This represented an increase in capital obligations of $3,110,000 in excess of the par value of the stock acquired.

Capital obligations in excess of $10,000,000 were thus created by the Maine company through the issue of the $7,000,000 of stock for "The Plan" and the $6,220,000 of bonds exchanged for $3,110,000 par value of the New Jersey common stock, which obligations had no other source of income other than that provided by the operations of the underlying subsidiary operating companies, the Yards company, the Railway company, and the Central Manufacturing District. Furthermore, the creation of this additional capitalization did not put at the disposal of the operating companies any new working funds.

As shown in Table I, the net income in 1917 of the three subsidiary operating companies was $2,456,213.31. This income was used to pay:

Interest on the bonded indebtedness and notes of the Central Manufacturing District, amounting to	$215,279.98
Interest on the bonded indebtedness of the New Jersey company, amounting to	660,000.00

Interest on the bonded indebtedness of the Maine company, amounting to	$311,000.00
6 per cent dividends on the $6,500,000 of preferred stock of the New Jersey company, amounting to	390,000.00
9 per cent dividends on 33,897 shares of common stock of the New Jersey company, amounting to	305,073.00
Dividends on the common stock of the Maine company, amounting to	200,000.00
Total	2,081,352.98

After deducting these appropriations of $2,081,352.98 from the above net income of $2,456,213.31 there was left $374,860.33 for additions to surplus for the three operating companies. To this has to be added $74,240.85 of net income of the New Jersey company and $14,672.57 of the net income of the Maine company, making a total of $463,773.75, which went to the accumulated surpluses of the five companies comprising the Chicago stockyards system.

A summary is given below of the capital obligations, as of December 31, 1917, of the five companies comprising the Chicago stockyards system and a classification thereof. Because of the fact that three of these companies are operating companies, whereas two companies are investment or holding companies whose investments represent mainly the capitalization of their holdings in the three operating companies and because of the fact that the investment or holding companies depend for their income almost solely on the operating companies, it seemed best to present the data in two divisions. Division A gives data relating to the three operating companies. Division B deals with the investment or holding companies.

TABLE II.—*Summary of capital obligations of the five companies comprising the Chicago stockyards system of of Dec. 31, 1917 and classification thereof.*

Name of company.	Total outstanding capital obligations, including stock, bonds and other securities.	Securities issued for purpose of acquiring corporate property or increasing company's working funds.	Securities issued as stock dividends or the equivalent thereof.	Securities issued to substitute one group of security holders for another.	Securities issued for miscellaneou purposes.
A. Operating companies:					
The Union Stock Yards & Transit Co. of Illinois	$13,700.00	$1,500,000.00	[1]$12,200,000.00	.....	.....
The Chicago Junction Ry. Co. of Illinois	5,500,000.00	500,000.00	5,000,000.00	.....	.....
The Central Manufacturing District of Illinois	[2] 8,498,181.80	[2] 6,062,283.62	[2] 2,435,898.18	.....	.....
Total	27,698,181.80	8,062,283.62	19,635,898.18	.....	.....
B. Investment or holding companies:					
The Chicago Junction Rys. & Union Stock Yards Co. of New Jersey	27,000,000.00	.....	.....	23,000,000.00	[3] 4,000,000.00
The Chicago Stock Yards Co. of Maine	14,220,000.00	1,000,000.00	7,000,000.00	6,220,000.00	.....

[1] For detailed explanation see pages 195, 196 of Part III of the Federal Trade Commission's Report on the Meat Industry.

[2] The capital of the Central Manufacturing District is not represented by shares of stock, but by certificates of beneficial interest held by the New Jersey company. The investment of the New Jersey company in the Central Manufacturing District is treated on its books as an advance. The figure shown under stock dividends in this table represents the additional amount which the Central Manufacturing District has credited on its books to the New Jersey company. There is a discrepancy between the accounts of the two companies of slightly less than $600, which could not be reconciled.

[3] Issued as a result of bonuses granted to packers. (For details see page 204 of Part III of the Federal Trade Commission's Report on the Meat Industry.)

EXHIBIT 1.—*Condensed balance sheet of the Yards company, as of Dec 31, 1917.*

ASSETS.

Investment account	$15,537,284.3
Working assets and funds	1,597,944.5
Deferred and unadjusted debit items	67,065.0
Total	17,202,293.9

LIABILITIES.

Capital stock	13,200,000.0
Debenture notes	500,000.0
Working liabilities	641,814.6
Accrued liabilities not due	384,377.3
Surplus account	2,476,101.9
Total	17,202,293.9

EXHIBIT 2.—*Condensed balance sheet of the Railway company, as of Dec 31, 1917.*

ASSETS.

Investment account	$5,726,335.63
Current assets	1,674,239.99
Deferred and unadjusted debit items	135,555.51
Total	7,536,131.13

LIABILITIES.

Capital stock	5,500,000.00
Current liabilities	454,158.99
Deferred and unadjusted credit items	537,123.50
Corporate surplus	1,044,848.64
Total	7,536,131.13

EXHIBIT 3.—*Condensed balance sheet of the Central Manufacturing District, as of Dec. 31, 1917.*

ASSETS.

Property investment	$11,929,415.15
Working assets	869,103.72
Deferred and unadjusted debit items	24,434.68
Total	12,822,953.55

LIABILITIES.

Fixed liabilities	3,850,000.00
Working liabilities	560,395.89
Accrued liabilities	245,729.19
Deferred credit items	38,981.81
Due New Jersey company	4,088,181.80
Increment in land values	3,842,795.42
Profit and loss	196,869.44
Total	12,822,953.55

EXHIBIT 4.—*Balance sheet of the New Jersey company, as of Dec. 31, 1917.*

ASSETS.

Investment account:	
132,000 shares capital stock of the Union Stock Yard & Transit Co., 54,991 shares capital stock of the Chicago Junction Railway Co., and other investments	$30,255,879.21
Interest and accounts receivable	202,501.00

Central manufacturing district		$500,000.00
Cash at bankers:		
Cash in banks	$148,019.89	
Collateral trust gold bonds (due 1915) coupon account	172.92	
Mortgage and collateral trust refunding gold bonds, coupon account	6,350.00	
		154,542.81
Total		31,112,923.02

LIABILITIES.

Capital stock:		
65,000 shares preferred, par $100	$6,500,000.00	
65,000 shares common, par $100	6,500,000.00	
		$13,000,000.00
Four per cent 40-year mortgage and collateral trust refunding gold bonds (deed of trust dated Apr. 10, 1900), $10,000,000 issued at 5 per cent under supplemental trust deed, dated April 1, 1915		14,000,000.00
Notes payable		500,000.00
Accounts payable		16,808.62
Interest accrued on mortgage and collateral trust refunding gold bonds		165,000.00
Unpaid dividend vouchers		695.00
Unpaid coupons		6,525.00
Income tax payable (withheld)		7,346.10
Reserve for Federal income tax		1,362.42
Surplus		8,415,185.88
Total		31,112,923.02

EXHIBIT 5.—*Balance sheet of the Maine company, as of Dec. 31, 1917.*

ASSETS.

Cash on deposit		$509,612.25
Notes receivable:		
Armour & Co., due Feb. 27, 1918	$100,000.00	
F. H. Prince, demand, collateral	560,000.00	
		660,000.00
Securities owned:		
100 shares Chicago Junction Railways and Union Stock Yards Co		65,000.00
Old Colony Trust Co.:		
Cash on hand for tax		1,874.50
Securities pledged:		
31,100 Chicago Junction Railways & Union Stock Yards Co		6,220,000.00
Investment account[1]		7,000,000.00
Total		14,456,486.75

LIABILITIES.

Common stock:		
80,000 shares		$8,000,000.00
Collateral trust 50-year 5 per cent bonds, due 1961, secured by 31,100 shares Chicago Junction Railways & Union Stock Yards Co		6,220,000.00
Suspended items payable:		
Bond interest accrued	$77,750.00	
Discount received in advance on notes	805.55	
P. H. Clark account, 3 shares Chicago Junction Co	109.65	
		78,665.20
Surplus account		157,821.55
Total		14,456,486.75

[1] The Plan.

Mr. COLVER. Mr. Rainey's questions were directed to this subject, and he pointed out in part 3 of the Senate hearings—the last Senate committee hearings that have been held—a letter beginning on page 11 and ending on page 12 which seems, on its surface, perhaps, to dispose of the question raised on page 5 of the same document. It does not seem to me that it does dispose of it. In the House hearings Mr. Armour agreed to furnish the committee a statement concerning the Union Stockyards and the Transit Co., the New Jersey company and the Maine company, covering in detail the amount of stocks of the companies, the purpose of the corporation, of ownership, of stock, the present stockholders, and why bearer's warrants were issued in some instances instead of capital stock. Mr. Armour said that he would get that information, and if he could not he would call Mr. F. H. Prince's attention to it. The Senate committee as well as the House committee asked for that information. The reply cited by Mr. Rainey is not a reply of Mr. Armour; it is a reply of Armour & Co. Armour & Co. had not engaged to give any information, and Armour & Co. conceivably have no information. The answer of Armour & Co. on page 12 is as follows:

> In response to the data requested concerning the Chicago Stockyards Co. and its affiliated companies, we are unable to give the committee such information, as it is not in our possession.

They had not agreed to; Mr. Armour had agreed to. [Continuing reading:]

> We have, however, called the attention of Mr. F. H. Prince to the request of the committee, and are informed that he will advise the committee direct.

But he has not. Mr. Armour said that he agreed to furnish the committee a statement telling why the bearer warrants were issued. That information, while not probably in Armour & Co.'s possession, is certainly in Mr. Armour's possession; but this reference I have given you, pages 189 to 277 of part 3, shows that Mr. Armour and Mr. Prince at least knew how the thing was organized, why it was organized. It must have been known why if they know how; and they organized it. Mr. Armour promised to give it to you, and the statement of Armour & Co. that they have not the information is not an answer on the part of Mr. Armour.

Mr. RAINEY. When Mr. Armour was testifying, he did testify that at one time he owned about 20 per cent of the stock; do you recall?

Mr. COLVER. No; he said he did not. I think, as I remember, he said that 19 per cent of the stock was owned by Armour & Co., which stock had been owned by him. I think, perhaps, he did say that.

Mr. RAINEY. I was asking for information.

Mr. VOIGT. Has the commission, since the making of your report on the meat-packing industry, ever been advised by any of the five packers as to specific inaccuracies contained in your report?

Mr. COLVER. The chief complaint has been that something has been left out. I have repeatedly said during the last three days that if something is left out, now is the time to put it in. To answer your question directly, only one of the five, according to my recollection, has specifically pointed out anything, and that was Mr. Creigh, representing the Cudahy Co., who has claimed and said

that the deduction or the conclusion reached with reference to the Cudahy Co. based on a series of what were called the Cudahy letters, was not a fair inference. One other thing was pointed out by Mr. Creigh as being improper, or being an inaccuracy, and that was in a quotation. In the summary in part 1 of the report of the Federal Trade Commission on the Meat Packing Industry at pages 54 and 55, objection was made, and I think properly, by Mr. Creigh. Here is a letter written by E. A. Cudahy to Mr. Murphy, of South Omaha. The letter is quoted and then the report says:

Down at the bottom are the lead pencil figures

30
30
25 Swifts
15

100 per cent

Presumably being the percentages. Our attention was called to that by Mr. Creigh. That was in the original summary that was issued by the commission. When the summary was made a part of this volume which I have in my hand this footnote was put in to clear it up. It reads as follows:

Note by commission: These lead pencil figures were not on the letter as written by E. A. Cudahy, but were put on a copy of the Cudahy letter by one of the commission's investigators as a memorandum for the examining counsel, the information having been previously ascertained by the investigator from the source noted on page 29 above and placed on the letter as a corroboration of the percentages referred to by Cudahy. The figures were read into the record as follows:

The figures were read in as I gave them.

As nearly as I can remember that is the only instance where claimed inaccuracies were brought to the attention of the commission directly.

Mr. VOIGT. Outside of that one instance, none of the five packers has brought to your attention any error claimed by them in the facts found by you?

Mr. COLVER. Not to my recollection.

Mr. VOIGT. Or in your figures.

Mr. COLVER. No, sir. If you analyze the whole answer which has been made to this report, take it all together, there is no denial of statements of fact, and there is no denial of the figures. There are claims that something intangible has been left out, and over and over again before committees of Congress they have been invited to put the missing things into the record.

Mr. VOIGT. Has your commission ever been advised by any of the five packers as to what material was left out?

Mr. COLVER. In one instance one or two things were put in. It was claimed that a large number of telegrams having to do with wiring on were not printed. I think some 11 additional telegrams were put into the record at one of the hearings by Prof. Weld. Those 11 telegrams did not reveal anything new; they were cumulative. There was nothing to indicate in their form that they were any different from the others, and by not printing them in the original report nothing except space was saved. If the 11 were put in, a great many more could have been put in. Typical telegrams were put in,

not all; typical and fairly selective. There was no claim by the commission that all were put in.

Mr. VOIGT. Your commission recommended that certain properties which were associated with transportation should be acquired by the Government, like the stockyards?

Mr. COLVER. Rather by the railroads.

Mr. VOIGT. I want to go to that point. Your report, I think, suggested that they should be acquired by the Government?

Mr. COLVER. Through the Railroad Administration. That would lodge them in the railroads. The railroads themselves at that time were powerless to acquire them.

Mr. VOIGT. If you were to make the recommendation after March 1, 1920, when the railroads will go back to private ownership, would you then change the form of your recommendation?

Mr. COLVER. Without being free to speak for my colleagues by reason of consultation, and speaking for myself, yes, I would, because the whole theory that we proceeded on and which we have never changed from at any time is that those things are transportation facilities and should be owned by the common carrier; and so long as the Railroad Administration operates the railroads and could alone acquire at that time, necessarily the recommendation was made in that way.

Mr. VOIGT. Your recommendation, in effect, speaking for yourself, is that these utilities should be acquired by the railroads?

Mr. COLVER. Yes, sir; all their transportation facilities and necessary and proper reasonable things for the transportation companies to furnish to their customers, their shippers, all of their shippers.

Mr. HULINGS. You said that you did not object to a concern doing business because it was large, that you do not object to the size of the corporation?

Mr. COLVER. Yes, sir; I said that.

Mr. HULINGS. You also said, I think, that you thought it would be proper for a packing industry to engage in the tanning business, tanning hides which they produce?

Mr. COLVER. Tanning; yes, sir.

Mr. HULINGS. What would you think about them engaging in the shoe business?

Mr. COLVER. I would go back to my other answer. When the total value of the product is very large in proportion to the value of the packing product, as the value of the product gets larger the value of the packers' ingredients in it gets smaller and the reason for the ownership lessens in the same proportion.

Mr. HULINGS. Do you think that it would operate at an advantage if we should prevent them from engaging in the shoe business and the handling of leather which they produce in the tanneries and which you think it would be proper for them to acquire?

Mr. COLVER. I do not think that it would be in the public interest or useful. I do not think that it would be useful to them or the shoe industry or the public.

Mr. HULINGS. It is suggested that if it brought, through the economies that we have introduced, a lowering of the prices of shoes, that it would then be a proper thing in the interest of the public for them to engage in the shoe business?

Mr. COLVER. Well, that is a premise that it is rather hard to occupy. Experience does not seem to warrant any such assumption on my part.

Mr. HULINGS. Your investigation of the subject would indicate then to you that they should be stopped when they tanned the hides?

Mr. COLVER. I should think that would be a pretty good place.

Mr. HULINGS. That is all.

Mr. HUTCHINSON. What are the duties of the Federal Trade Commission?

Mr. COLVER. The duties?

Mr. HUTCHINSON. Yes, sir.

Mr. COLVER. The Federal Trade Commission has, first, the duties of the old Bureau of Corporations. The old Bureau of Corporations duties were to conduct either on its own initiative or by direction of Congress or of the President inquiries, examinations, and studies into trade conditions in interstate commerce and in foreign trade. Whatever the Bureau of Corporations may have done, I do not know, but with respect to the Federal Trade Commission during my experience there in the last three years it has been fully engaged in examination of the inquiries that it was directed to take up and, as far as I know, has conducted no such studies on its own motion.

The second duty of the Federal Trade Commission is the enforcement of section 5 of the Federal Trade Commission act, which declares that unfair practices in competition in commerce are unlawful and also the custody of the enforcement of the four sections of the Clayton law, sections 2, 3, 7 and 8.

Mr. HUTCHINSON. The only way to get your commission to act is by act of Congress or by request of the President?

Mr. COLVER. That is in this, what is occasionally called investigations with respect to the laws, the administration of which it is charged with. That is section 5 of the Federal commission law and sections 3, 4, 7, and 8 of the Clayton Act. There is no action on the part of Congress or of the President that is required to set the machinery of the commission in motion. That is usually done in a very large majority of cases by the application or complaint of some competitor engaged in commerce who comes to the commission and alleges that he is meeting unfair competition in one form or another. Those two, generally speaking, are the two functions.

Mr. HUTCHINSON. What I am getting at is this: We have a child of our own called the Grain Corporation, incorporated in the year 1918, the greatest monopoly ever produced in this country. Every miller, or anybody who buys a bushel of wheat, has to send a check and a sworn statement. It is estimated that they have made a profit of from $25,000,000 to $100,000,000. Of course, I can not find out, although the law requires that reports shall be sent to the Clerk of the House every month. What I want to know is how we can get at the real truth of that great corporation. Can we do it by an act of Congress?

Mr. COLVER. Would you have the Federal Trade Commission make an inquiry of that sort?

Mr. HUTCHINSON. Yes, sir; it is under your jurisdiction, it is a matter of interstate commerce.

Mr. COLVER. I suppose it is a corporation engaged in commerce and off hand I would say yes.

Mr. ANDERSON. That is a governmental agency.

Mr. COLVER. From the statement made off hand I answered yes, but I do not know.

Mr. HUTCHINSON. It was incorporated in the State of Delaware by three men.

Mr. YOUNG. It is a governmental agency set up as one of the war propositions, and I suppose it dies with the end of the war.

Mr. WILSON. That does not make any difference. They are required to file a report every month.

Mr. YOUNG. That is true, but what I undertook to say was that the Feedral Trade Commission has not a thing on earth to do with that.

Mr. HUTCHINSON. I am asking for information so that we can get at the facts.

Mr. TINCHER. The Pacific Grain Co. complained that the Grain Corporation was doing an unfair business, that there was unfair competition. The Federal Trade Commission could investigate it.

Mr. YOUNG. I still undertake to say that it is a war measure of Congress and it is up to Congress.

Mr. TINCHER. Here is a newspaper account telling of the action of the grand jury. This subject has been brought up and I should like to put in the record for the information of the members this statement.

Mr. YOUNG. That has not anything to do with this hearing.

Mr. TINCHER. It would not hurt, would it?

Mr. YOUNG. I object.

Mr. MCLAUGHLIN of Michigan. Is that about the Grain Corporation?

Mr. TINCHER. Yes, sir. It seems to me there has been some unfair competition.

Mr. YOUNG. That could be investigated in the proper way.

Mr. HUTCHINSON. I think we should have the information so that we can find out whether we can have an investigation.

Mr. YOUNG. I do not object to the most thorough investigation. We are investigating the packers thoroughly and I do not think that we should go off on unrelated subjects.

Mr. MCLAUGHLIN of Michigan. I am glad to hear Mr. Tincher is looking for information, but I agree with Mr. Young that it is not related to this inquiry at all.

Mr. YOUNG. I am with Mr. Tincher on his proposition.

Mr. TINCHER. It was not my proposition. Mr. Hutchinson seemed to be asking questions and I thought this statement would furnish you gentlemen with information. I am very well informed on this subject.

Mr. MCLAUGHLIN of Michigan. I doubt whether the Federal Trade Commission can investigate the President of the United States. The President of the United States is authorized to do this under an act of Congress. The President creates such agencies as he pleases to operate through and under him and then really what they do are merely his acts.

Mr. RAINEY. You were discussing warrants of Armour & Co. Is that a new practice here in the United States? I do not know

whether it is or not, but is it not a practice that is used pretty generally in European countries?

Mr. COLVER. I think so. I think it was invented in England to beat the income-tax law.

Mr. RAINEY. I do not know what it was invented for, but I understood it was used pretty generally in Europe.

Mr. COLVER. I think that was the original purpose of it, so far as I know.

Mr. MCLAUGHLIN of Michigan. Why do you say that?

Mr. COLVER. Because I believe it to be true.

Mr. MCLAUGHLIN of Michigan. I know, but your reason is what I mean.

Mr. COLVER. For the reason that the device came into use in England during the time and at the time that income methods of taxation were being developed there and this furnished a very effectivt method of evading the income-tax legislation or the attempt to collect any income tax or surcharge tax.

Mr. MCLAUGHLIN of Michigan. It was never used before, to your knowledge?

Mr. COLVER. Not that I know of. That is my information.

Mr. MCLAUGHLIN of Michigan. It has been found an effective way of evading the law?

Mr. COLVER. Yes, sir; perfectly effective.

Mr. RAINEY. There is no charge that Armour & Co. in issuing these warrants have attempted to avoid the income-tax law?

Mr. COLVER. There has been no charge.

Mr. WILSON. By the Federal Trade Commission?

Mr. COLVER. I say there has been no charge; we do not know.

The CHAIRMAN. The sentiment seems quite general that some legislation on the meat packers should be enacted. The committee would like to know what to do in the matter. The commission has had a great deal of experience and has given the matter much thought and attention. The committee would like to have you give your opinion more fully on suggestions as to legislation. In looking over your report I find on page 30 the commission states:

> These corporations are now operating under a Federal injunction issued in 1903; that they have been informed by the Attorney General in 1912, at the dissolution of the National Packing Co., that they would be the objects of close scrutiny and inspection.

And further, on page 31, referring to the five packers:

> Not only have a monopolistic control over the American meat industry, but have secured control, similar in purpose if not in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, etc.

Then, on page 32 it states:

> The power of the Big Five in the United States has been and is being unfairly and illegally used to manipulate live-stock market; restrict interstate and international supplies of food; control the prices of dressed meats and other food; defraud both the producers of food and consumers; crush effective competition; secure special privileges from railroads, stockyard companies, and municipalities; and profiteer.
>
> The packers' profits in 1914 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915, 1916, 1917, four of the five packers made net profits of $178,000,000.

Then the report states that they killed 70 per cent of the live stock slaughtered; cattle, 82.2 per cent; calves, 76.6 per cent; hogs 61.2 per cent; and sheep and lambs, 86.4 per cent.

It is suggested, is it not, that what has been done in the past is not sufficient in your estimation as from the examination made by you?

Mr. COLVER. No; it is not. I do not think that government by decree or government by injunction is the orderly American way; I think government by legislation is proper.

The CHAIRMAN. Is it an effective way, whether or not it is an orderly way? Will satisfactory results be obtained by simply agreeing to this decree? Is it to take the matter of further enforcing the law in this respect away from the Department of Justice, where it is now lodged, and leave the responsibility with the courts—without funds or machinery—to enforce it? If so, would it be ignored in the future as in the past?

Mr. COLVER. That is why I say that the usefulness of any decree is 10 per cent decree and 90 per cent observance.

The CHAIRMAN. You stand by your report?

Mr. COLVER. Absolutely.

The CHAIRMAN. They have been violating the decree issued on May 26, 1903?

Mr. COLVER. Certainly.

The CHAIRMAN. Is it fair to assume that no more can come of it in future than in the past? As you stated before, the law itself is only 10 per cent?

Mr. MCLAUGHLIN of Michigan. Would not the enforcement of the decree bring the same result as the enforcement of the statute?

Mr. COLVER. With respect to the five companies, but not with respect to the packing industry. It is an agreement—it is an agreement, not a statute.

Mr. MCLAUGHLIN of Michigan. The decree was reached by agreement, but the decree is the action of the court?

Mr. COLVER. Yes; when it becomes the action of the court.

Mr. MCLAUGHLIN of Michigan. And it is not a decree until it is the action of the court?

Mr. COLVER. It is a proposed decree.

Mr. MCLAUGHLIN of Michigan. It has not been entered?

Mr. COLVER. No, sir.

Mr. MCLAUGHLIN of Michigan. The decree of 1903 was entered?

Mr. COLVER. Yes, sir.

Mr. YOUNG. With reference to this decree, is it not the universal history that decrees have been entered in antitrust suits something like this? In Texas—my State—we have antitrust State laws. Some years ago our attorney general proceeded against what was known as the Harvester Trust in that State under the State statute, and after a hearing of the complaint on the part of the attorney general a decree was entered in which it was found that the concern attacked was really a trust in violation of the State antitrust laws. That decree dissolved this trust.

What really happened as the practical operation in working after the decree was entered was this, that the Harvester concern took its catalogue that had been furnished to all of the hardware dealers.

changed the style of the name of the concern, and used exactly the same pages, but went through and changed the cost price of the article, bolts for plows and machinery of all kinds, and raised them all from 10 per cent to 100 per cent. We had a decree dissolving this concern, and it changed its name but still operated and brought about greater abuse than before the decree was entered. Is not that very largely the practice that has been followed by these big concerns against whom we have had decrees entered?

Mr. COLVER. I submit that that is a better question to ask the Department of Justice; it is very interesting.

The CHAIRMAN. The National Packing Co. was dissolved and other trusts were created. Is it not fair to assume that what took place then will be substantially followed now—that is, that the Big Five packers will organize another company and operate under another name, just as in the Harvester case in the State of Texas, just referred to by Mr. Young?

Mr. COLVER. If that is the practice that is followed, very little advance has been made.

The CHAIRMAN. Is that the practice that has been followed?

Mr. COLVER. Something like that.

The CHAIRMAN. As to Government control, we have tried Government control and regulation. I think we all agree that the results have not been satisfactory, and that if we are to embark upon further Government control we must reasonably insure better results in the future than we have had in the past.

On page 35 the commission reports:

> Now, however, they are rapidly extending their control over all possible substitutes for meat—fish, poultry, eggs, milk, butter, cheese, and all kinds of vegetable-oil products, etc.

The proposed decree does not cover milk, poultry, andg eggs?

Mr. COLVER. The synopsis of the decree as we have seen it does not cover those articles specifically.

The CHAIRMAN. You have spoken about divorcing the packing companies from the refrigerator cars, transportation lines, etc. Are not packers mostly interested in a monopoly of food products—that is, in controlling not only the meats, but poultry, eggs, and cheese, so that they would have an absolute monopoly of the food products? If they had a monopoly, of course, they would control the price. It would then be in their power to depress the price to the producer and enhance the price to the consumer. Have you given that matter any attention?

Mr. COLVER. Giving the same strength to concentrate on meat and meat substitutes, like butter, eggs, and poultry, instead of going over such a wide field as was covered before, canned vegetables and things like that, should make it possible, as you say, to concentrate their effort in that field much more strongly and much more intensely than when it was scattered over a wider field, of course.

The CHAIRMAN. From statements made would it not appear that although they are divorced from the grocery business and a number of things, if they retain control over meat substitutes they will practically have control over food products? Does it not occur to you that it is important to have competition in food products?

Mr. COLVER. That is why I think legislation is indicated as necessary. I think that eggs, cheese, and poultry are not related to pack-

ing-house products, not a part of the business. If it is right to divorce wholesale groceries, it is right to divorce butter, eggs, cheese, and poultry; if it is not right to divorce wholesale groceries it is not right to divorce the other things.

The CHAIRMAN. On page 35, referring to the packers, the report states:

Now, however, they are rapidly extending their control over all possible substitutes for meat—fish, poultry, eggs, milk, butter, cheese, and so on.

On page 36 it refers to canned fruits, staple groceries, vegetables, etc.

I understand they are now to be divorced from the grocery and jobbing business.

At the bottom of the page it states:

The Armour Grain Co. is a close corporation in which J. Ogden Armour owns 64 per cent of the stock and other members of the family 22.9 per cent.

On page 37 it gives the number of elevators and reports—

The Armour Grain Co. operates over 90 country elevators. Its eight terminal elevators at Chicago and its two elevators at Kansas City constitute 25 per cent of the total elevator capacity of these cities. In 1917 it handled 75,000,000 bushels, or 23 per cent of all receipts of grain at Chicago, the greatest market in the world, and its business is rapidly growing.

Mr. Tincher has called your attention to the great number of corporations which have been under Government control. He has called your attention to the United States Grain Corporation and to the findings of the grand jury in the case of Hauser. He does not speak highly of Government control in the case of the Grain Corporation. So what are we to gain by going into this sort of control if it is to have disastrous results? Do not only consider the packers, but the millers and the Steel Trust, which has been under Government control. Their profits have increased not only to hundreds of per cent but thousands of per cent. In the face of that showing what are we to gain by Government control? Have you made your findings considering the results obtained under Government control, and also prior to Government control?

Mr. COLVER. I am not an advocate of Government control at all. We have not suggested Government control; the commission has not suggested Government control. The commission has suggested that in the public interest some function should be performed by some sorts of concerns and others by other sorts. Nobody suggested control of packing-house processes, but the suggestion has been made that packing-house processes and methods be not extended all over the map.

The CHAIRMAN. On page 38 the commission report states:

The actual and potential powers of these corporate groups and individuals are far greater and much more menacing to the welfare and true prosperity of the Nation than this enumeration of industrial possessions would indicate. This greater menace lies in the fact that the Big Five have intrenched themselves in what may be called the strategic position of control of food distribution.

It is recommended there that the stockyards be taken over—"private refrigerator car lines for the transportation of all kinds of perishable foods; cold-storage plants for the preservation of perishable foods; branch house system of wholesale distribution; banks and real estate."

It then refers to the cattle-loan banks. What have you to say about the cattle-loan banks and about banks in general?

Mr. COLVER. The banks in general?

The CHAIRMAN. The report gives a list of 58 banks in which packers' control is represented on their boards of directors—35 in Chicago, 9 in New York, and 14 in other cities; a total of 58 banks.

Mr. COLVER. With respect particularly to the cattle-loan bank, it is not felt that the principal buyer of any commodity should be in control of the credit of the producers of that commodity.

The CHAIRMAN. The fact is that the bank controls the whole situation and if the buyers control the bank the large number of stock producers are at the mercy of the banks?

Mr. COLVER. You have stated it correctly.

The CHAIRMAN. Money is furnished to the cattlemen to buy the stock. Whenever the loans are called he must sell at whatever price he can in order to pay?

Mr. COLVER. Quite so.

The CHAIRMAN. What do you suggest in the way of separating the buyers from the control of banks?

Mr. COLVER. We suggest that they should be compelled to divest themselves from such enterprises as cattle-loan banks.

Mr. WILSON. Do I understand that the packers as corporations or individuals are interested in these various banks? Which way is it, Mr. Colver?

Mr. COLVER. Both, at times; principally as individuals.

Mr. WILSON. Do you mean to say that you would prohibit an individual from holding stock in a banking institution just because he may be in some line of business that the bank loans capital to?

Mr. COLVER. Well, to make a practice of controlling in a section or area of country the credit that the producers have to have—to make a practice of that upon the part of his principal customer is a bad thing; yes.

Mr. WILSON. And you want to control that?

Mr. COLVER. I would not "control." I do not like that word "control." I would prevent it.

Mr. WILSON. You have got a big job on your hands.

Mr. COLVER. You have said the transportation companies are not permitted to own coal mines.

Mr. WILSON. That is a different proposition.

Mr. COLVER. That has been carried to the Supreme Court and sustained.

Mr. WILSON. I say that is a very different proposition from prohibiting an individual going out into the States of Kansas, Texas, Illinois, or Iowa and buying stock in some banking institution because he is in business in Chicago or New York and his New York or Chicago business does business with the farmers of Iowa, Kansas, Illinois, or Texas.

The CHAIRMAN. The commission stands by its report as proof of conspiracy, on page 51?

Mr. COLVER. Undoubtedly.

The CHAIRMAN. Also as to the international meat pool on page 60?

Mr. COLVER. Yes.

The CHAIRMAN. How about the joint funds?

Mr. COLVER. What page are you at?

The CHAIRMAN. Page 64 [reading]:

Further evidence of the existence of a conspiracy among the five big packers was found in the vault of Henry Veeder in the form of documents relating to funds maintained by the big packers and oleomargarine manufacturers, primarily for the purpose of protecting themselves from punishment for the divers practices already described in part.

These joint funds, as will be shown in one of the sections of the report, were used:

To employ lobbyists and pay their unaudited expenses; to influence legislative bodies; to elect candidates who would wink at violations of law, and defeat those pledged to fair enforcement; to control tax officials and thereby evade just taxation; to secure modifications of governmental rules and regulations by devious and improper methods; to bias public opinion by the control of editorial policy through advertising, loans, and subsidies, and by the publication and distribution of large expense of false and misleading statements.

Did you have evidence in support of that?

Mr. COLVER. I think so; I know it. It is not denied here, you know.

The CHAIRMAN. You speak of the whole matter?

Mr. COLVER. When I say "it is not denied," I mean that general denials do not count.

The CHAIRMAN. You have evidence of the collecting of funds for those purposes and that those funds were used for the purposes as alleged and enumerated?

Mr. COLVER. Yes.

The CHAIRMAN. To what extent has the law relating to pooling been enforced?

Mr. COLVER. I can not answer very intelligently or very responsively on that, as to what extent.

The CHAIRMAN. You have positive evidence that such a pool existed in violation of law?

Mr. COLVER. It did exist; it is not now in existence, as I understand.

The CHAIRMAN. The reports of the Commissioner of Internal Revenue for 1915 and 1916, would indicate that there has been a good deal of fraud along that line resulting in a number of prosecutions and in a number being sent to the penitentiary.

There are a number of other things covered in your report but as it has been made a part of the record, I do not think it is necessary to go into it further.

What, then, if the decree is not sufficient, do you suggest in the way of legislation? Does the laws on the statute books need extension, revision, or enlargement?

Mr. COLVER. First, with a negative, I distinctly do not suggest an interference with, a control of, or a paternalistic attitude toward business when it behaves itself. I do not advocate and I do not believe in constant interference, and I do not believe in anything that looks toward class legislation. I do believe in the declaration of fair, reasonable principles and the punishment for the prevention of the violation of those principles.

Specifically, among the principles that I think should be recognized is that the packing business can not be mixed up and still have full, fair, free competition amongst smaller packing concerns. The

packing business can not be mixed up with transportation business. It is suggested, and I repeat the suggestion, that the common carriers of the country should provide all cars, all freight houses—which are the stock yards, the terminals for the transportation of this freight.

Now, if in the beginning of coal mining in this country four or five of the first coal mines or the largest ones had set about the building of cars especially designed for the handling of coal, that would have been a useful thing, and I say it was a useful thing when the packers developed the refrigerator car. There is no question about it, and I have said it over and over again to these committees. But if in the development of the coal mining industry, because the principal shippers were providing their own coal cars, the railroads of the country had decided to provide no coal cars or inadequate coal cars, I say that the coal industry would not have been developed in the country at all as a competitive industry. It would have been very difficult for new enterprises to go into that industry for the sheer lack of adequate transportation and equally fair treatment or fair access to the means of transportation—the railroads. It would work the same in any industry. If three automobile companies in the country owned all the cars capable of carrying automobiles, the other automobile companies in the country would be at a great disadvantage; and transporting automobiles is not a part of the automobile business; it is a part of the transportation business.

I think that that should be recognized in legislation as a principle.

I think that the furnishing, the providing to the public, to the producer, and to the consumer current information of market conditions, crop conditions, supply, demand, export, import—all the factors that go to make the producer know from unbiased sources what his product fairly should be worth, what is the most advantageous market for him to send it to, what is the most advantageous time for him to send it to that market—that those things are properly things to be furnished by independent, unbiased sources of information; and I think in many cases properly and reasonably, without the slightest paternalism at all a proper subject for Government information. The Bureau of Markets is doing it and doing it well; the Weather Bureau is doing it and doing it well. I think it is just as fair to furnish information to the man who is about to ship a carload of cattle from Kansas or Nebraska about the time to ship and where to ship as it is to give information to the captain of a ship at sea as to what is a safe port and what is the time of the tides—just as fairly a public function.

I think that with respect to the credit that is required by producers of seasonal commodities, a crop that comes on once a year, where for the production of that crop credit is necessary, I think that the control of that credit should be in the hands of people who are in the business of supplying credit, not in the business of buying this man's product.

I think that in all reason and common sense in the integration of society and the integration of commerce—business of all sorts—that there are reasonable vocations and avocations, and I do not think indiscriminate crossing of the lines and fixing of things is in the public interest, in the interest of economy or in the interest of efficiency.

Those are the principal things, generally speaking, that we have suggested and have had no reason for changing any of the recommendations that have been made.

At no time has there been any suggestion of Government ownerships, of the Government going into the slaughtering business, absolutely not.

Mr. McLAUGHLIN of Michigan. Have you any data showing the extent to which the cattle loan banks are used by the producers of live stock, or the percentage of use of those banks compared with other ordinary banking institutions.

Mr. COLVER. I think I can give you a reference in a moment.

Mr. McLAUGHLIN of Michigan. And, in that connection, do you find any pressure is brought to bear by these stock-yard banks upon stock owners to use the money of those banks, or is there any reasonable way by which that pressure can be brought to bear?

Mr. COLVER. I could perhaps answer by reading from part 3 of the report of the Federal Trade Commission on the meat packing industry, beginning at the bottom of page 59. [Reading:]

The business of loaning money on cattle is one of the activities of every stockyards market. At these market centers millions of dollars are loaned to producers and feeders of cattle, the cattle being assigned as security for such loans. Loans are usually made through the stockyards banks and cattle loan companies for periods of six months, and the interest rate varies from 6 to 8 per cent.

Almost all the banks and cattle loan companies in or beside the stockyards controlled by the big packers are owned and operated by them, and in as much as they control stockyards handling over 75 per cent of the cattle bought and sold at all the stockyards they consequently are in an advantageous position with respect to handling live-stock credit.

With the exception of Kansas City, the only banks, and in most cases the only cattle loan companies, operating in the big packer stockyards are those owned and controlled by the same packer or packers who control the yards. For instance, at St. Paul, Fort Worth, and Denver, where the yards are jointly owned by Swift and Armour, the banks and cattle loan companies are jointly controlled by these same interests. At St. Joseph and Sioux City Swift controls the yards, and likewise controls the only banks and cattle loan companies in these yards. At East St. Louis the Morris interests control both the yards and the banking and cattle loan facilities.

The business of loaning money on cattle is of such a nature that it can not be entirely monopolized by any one interest at any one yard. Loans may be negotiated by agents representing companies outside the yards. However, the extent of this independent business is comparatively small, so that the banks and cattle loan companies established in the yards have a preponderating influence.

While the packers have practically all the business of loaning money on cattle at all the stockyards they control, it is noticeable that they do not operate cattle loan companies in the stockyards independently owned nor to any extent at other points. It would seem to follow that it is their control of the stockyards that enables them to dominate the live-stock credit at their yards.

The big packers' power over these banking facilities through control of the stockyards is illustrated at the St. Louis National Stock Yards.

Mr. McLAUGHLIN of Michigan. What do you say is illustrated by that?

Mr. COLVER. "The big packers' power over these banking facilities through control of the stock yards." [Continuing to read:]

These yards are controlled by the Morris interests and the only bank permitted within the yards is the National Stock Yards National Bank, which is likewise controlled by the Morrises. This bank advertises as "The largest bank in Illinois outside of Chicago." Its deposits on March 4, 1918, were over $18,000,000 and its loans and those of the National Cattle Loan Co. affiliated

with it were over $17,000,000. The volume of the banking business is made secure through a lease dated April 1, 1914, between the stockyards and the bank. This lease expiring May 1, 1928, stipulates that it is upon the express condition that during the term of the lease or any extension thereof "The lessor will not lease any of its property at the National Stack Yards, or any interest therein, to any person, firm, or corporation doing a banking business or allow such business to be conducted by any person, firm, or corporation other than the lessee, its successors or assign."

Consequently when the Drovers National Bank was recently organized to compete with the Morris bank it could not secure a location within these stockyards. It was compelled to locate at a point one-half mile from the Exchange Building. Practically all of the business of the new bank is with commission men and other stockyards patrons, whose offices are in the Exchange Building.

I think that covers it.

Mr. McLAUGHLIN of Michigan. In your investigations have you found that conditions are imposed on the borrowers different from those imposed by any bank upon its borrowers?

Mr. COLVER. No; I do no think so.

Mr. McLAUGHLIN of Michigan. It is purely and simply then a matter of running a loaning and borrowing money on paper, with or without security?

Mr. COLVER. The cattle are pledged as security.

Mr. McLAUGHLIN of Michigan. Is that a condition of the loan?

Mr. COLVER. Yes, sir.

Mr. McLAUGHLIN of Michigan. Is that the kind of security always given?

Mr. COLVER. I would not say "always"; I would say that is the custom.

Mr. RAINEY. Mr. Colver, if the shipper or producer could borrow money at more reasonable rates in his own home town than he could out in the stock yards, do you not believe the natural thing for him to do would be to borrow in his home town?

Mr. COLVER. If the home town has sufficient money; yes. But the home town does not have it. These local communities can not finance themselves as to credit for the preparation of crops and to feed animals.

Mr. RAINEY. But the natural conclusion is that the producer borrows money at the bank that will give him the best rates.

Mr. COLVER. No; the natural conclusion is that the producer borrows money where he can get it.

Mr. RAINEY. At the most reasonable rates?

Mr. COLVER. The prairie country can not keep in stock and have on hand the credit necessary to finance these great crops of meat animals; it can not be done; there must be outside credit.

Mr. RAINEY. But there are banks scattered all over the country. The banker is naturally interested in loaning money and trying to make a profit; the producer is trying to borrow money at as reasonable a rate as he possibly can. So he goes to the bank that will give him credit at the most reasonable rate of interest.

Mr. COLVER. It does not follow—he rather goes to the bank where he can get the money.

Mr. McLAUHLIN of Michigan. You have said that there was not enough money in the sections of the country where the stockmen do their first business.

Mr. COLVER. I said these little local banks.

Mr. McLAUGHLIN of Michigan. The local banks have not enough money?

Mr. COLVER. No.

Mr. McLAUGHLIN of Michigan. The banks to which they would naturally apply if there was money enough there; so that it follows that it is necessary that there be some other bank.

Mr. COLVER. There is nothing said here to the effect that there should not be other banks; there should be, naturally.

Mr. McLAUGHLIN of Michigan. Is it natural that he should be in or near the stockyards, and if they are carried on properly, what is the objection to them? You say there is no unreasonable condition imposed on the borrower; there is no unconscionable practice pursued by the banks, at least I asked you if there were, and my understanding is that you said there are not. What is the fault with these banks; why should they not be permitted to continue to do business?

Mr. COLVER. In the case of the East St. Louis Bank if the producer borrows at the East St. Louis Bank from the Drovers' National Bank, not packer-owned, that bank, of course, has an equity to the extent of its loan in the meat crop that the producer is going to send to market.

Mr. McLAUGHLIN of Michigan. If that is the condition of the loan, otherwise not.

Mr. COLVER. Otherwise not, of course; but that is the custom.

Mr. McLAUGHLIN of Michigan. Is that improper; are the results of it bad; and, if so, in what respect.

Mr. COLVER. No; I was just trying to say——

Mr. McLAUGHLIN of Michigan. Pardon me; I did not intend to interrupt you. I want the information; I am not trying to harass you; I could not, I think, if I would.

Mr. COLVER. I say, if the loan were taken—and I should have explained—if the loan were secured at the Drovers Bank, not packer-owned, at East St. Louis, the Drovers Bank then under the custom would have an equity in the meat crop that was going to come from the borrower's ranch or farm. But the only interest that bank has is to get its money back; it has no interest in the disposition of the cattle, no interest in what market the cattle go to or what purchaser they go to. But if the loan came from inside the yard, the National Stockyards National Bank or from the National Cattle Loan Co., affiliated with it, then the buyer at that yard would already have an equity in the meat crop before it was ready for sale and would have an interest other than a banker's interest in where it was sold and when it was sold, and to the extent that a creditor can influence a debtor—and my experience is that that is some influence at times—it can influence both the time and place of the disposition of the meat animals and to whom they should be disposed. It is a mixing of functions.

Mr. McLAUGHLIN of Michigan. That may be entirely true, but do you find any evidence of the exerting of this improper influence?

Mr. COLVER. When there follow in this chair the men who are on the other end of this transaction, the meat producers, they can tell you in detail fully how that plan works much better than I can, because they can speak of personal knowledge, not that I am evading

the question. But I am simply saying you are going to have, as I understand it, witnesses here who are much better qualified than I am to tell of the other end of that transaction. I am sure you will find them so.

Mr. McLAUGHLIN of Michigan. You have said it is necessary to have some banks other than those located where the stockman does his business, in the first instance. I think you are entirely right about that. The question arises, where shall these banks be—just inside or just outside, and if outside, how far outside?

Mr. COLVER. Let them be inside, but not owned by "insiders."

Mr. McLAUGHLIN of Michigan. One reason why they should not be "outsiders," if there is a reason, is because of improper influence and improper practice. If that has obtained or has been exerted, somebody will be able to give us the particulars of that.

Mr. COLVER. I think, undoubtedly, you can get that.

Mr. McLAUGHLIN of Michigan. I shall be pleased to hear what they have to say about it.

The CHAIRMAN. The list you gave her would indicate—35 in the city of Chicago—that they are both inside and outside the stockyards, would it not?

Mr. COLVER. I think the word "inside" was used figuratively, was it not, in your question? I took it that way.

Mr. McLAUGHLIN of Michigan. Something has been said about this stock being owned by several members of a family. Is there any certainty or even a reasonable presumption that that stock will be handled as a whole or by the members of the family voting together? We have been told in the League of Nations there is no likelihood that England, Canada, Australia and all these different British countries will vote together. Do you think there is any trouble or any danger of that here?

Mr. WILSON. Generally, there is not much danger of the United States voting with them, either, is there?

Mr. COLVER. The practice is to vote together, yes.

The CHAIRMAN. The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.15 o'clock p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met at 2.15 o'clock p. m., pursuant to the recess.

STATEMENT OF MR. WILLIAM B. COLVER, OF THE FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. Mr. Colver, one contention is that the packers in taking over the control of the cold storage and of the refrigerator cars had in mind getting control of the meat-packing business, and now that they have accomplished that, they are less concerned about the transportation facilities and the cold storage than they are about getting absolute control of all the food products, such as poultry, eggs, and cheese. The commission seems to lay more stress upon the importance of taking over the transportation facilities and the cold-

storage and the refrigerator cars than upon the question of absolute control of all food products—not only meat, but meat substitutes?

Mr. COLVER. And still do lay stress there. We still do think that the tap root of the advantage lies in the transportation.

The CHAIRMAN. I infer from the report that great injury is being done to the cheese, and poultry and other industries. For instance, you refer to the short weights. You point out in the report that you checked up that and found that there were a number of shortages.

Mr. COLVER. There have been a great many complaints of that sort.

The CHAIRMAN. If that is true, it would seem to me that it would be of as great importance as the transportation, and that if necessary to segregate one it would be equally necessary to segregate the other.

Have you authority to prosecute?

Mr. COLVER. To prosecute?

The CHAIRMAN. When I say you I have reference to the Federal Trade Commission, of course.

Mr. COLVER. To prosecute?

The CHAIRMAN. Yes. First, you investigate, then report the findings of fact, and then what do you do?

Mr. COLVER. That would be the end of an inquiry operation; but if in the course of the inquiry facts were turned up which indicated or seemed to indicate or pointed toward a violation of any of the law that the commission is charged with the enforcement of, then the commission proceeds to the enforcement. If you ask what the remedy is that the commission has, the commission has only the remedy to issue an order, after formal hearing, on pleadings; that is, an order to cease and desist. It has no authority or power to enforce that order except in case the respondent company resists the order or thinks it is not properly entered against him. He can appeal to the United States Circuit Court of Appeals and from that court to the Supreme Court of the United States. Either one of those courts may affirm the order of the commission or may direct that it be set aside or modified.

The CHAIRMAN. You say who might appeal?

Mr. COLVER. The respondent or the defendant company. We call it the respondent company. In the case of an order to cease and desist being issued and the respondent company not taking an appeal, but at the same time not complying with the law, then the commission has the right to appeal to the Federal courts. In either case, either on the appeal of the respondent company or of the commission, if the finding of the commission is sustained, the order of the commission becomes the order of the court, and then the court may enforce that as for contempt.

The CHAIRMAN. You report certain violations?

Mr. COLVER. Yes, sir.

The CHAIRMAN. Flagrant violations of the law?

Mr. COLVER. Yes.

The CHAIRMAN. When these violations of the law are reported there is no question but that they ought to be prosecuted. The Attorney General is reported to have testified, on page 47, "I think they have violated the Sherman antitrust law both criminally and

civilly," and he says, "I do not expect to proceed against them criminally." Now, where is the remedy, if the law is to be enforced? Have you the authority?

Mr. COLVER. No; the Federal Trade Commission has no duty and no power and no authority.

The CHAIRMAN. I understand that it was reported in the press that the Federal Trade Commission might go on.

Mr. COLVER. What was said in the press and what I think you are referring to was this, that the consent decree runs to the violation, if any, of the Sherman law. The matter that was in the hands of the Attorney General was a Sherman-law matter. He could elect to proceed on the criminal side or the civil side, or both, as he chose. With respect to other things—I think I explained that somewhat in detail the other day—there might be violations or apparent violations or indications of violations or breaches of the Federal Trade Commission law prohibiting unfair practices in competition and in commerce or of sections 2, 3, 7, or 8 of the Clayton law. The statement which you referred to I think was that the consent decree runs to the Sherman-law matter; such of these facts as have to do with the Sherman law are in the custody of the Department of Justice, having been turned over to the Department of Justice by the Federal Trade Commission, and the Federal Trade Commission having no authority and no responsibility and no duty in the premises. These other matters were retained by the Federal Trade Commission and are under their jurisdiction and are being proceeded with irrespective of legislation and irrespective of the consent decree or irrespective of a criminal proceeding or a civil proceeding, with or without consent.

Those cases are going ahead. I said yesterday that I think there were already some 38, or perhaps more, transactions covered by formal complaints already issued, and I think the commission has under examination, perhaps, 150, or maybe 200, cases; and I explained yesterday also that the work of this examination by authority of Congress fell into three parts, one with respect to violations of the Sherman law, which falls into the custody of the Department of Justice; one with respect to lack of law which naturally results in reports directed to Congress with suggestions as to legislation; and thirdly, violations of law other than the Sherman law which fall within the jurisdiction of the Federal Trade Commission. The work was carried on in that order—the Sherman law first, legislation second, and Federal trade action third. As to the last group, it has been reported in the press and stated by the commission, and it is a fact, that they are being proceeded with and will be proceeded with irrespective of legislation or Department of Justice action. They are not connected at all and have nothing to do with each other.

The CHAIRMAN. In your opinion, has the commission the required authority to investigate and to prosecute?

Mr. COLVER. Yes; so far as the present state of the law is concerned.

The CHAIRMAN. I recall that on several occasions the Solicitor of the Department of Agriculture has asked for authority to investigate matters, putting the request on the ground that the commission did not have authority to do certain things and that the

authority should be given to the Department of Agriculture, and that thus between the two, through cooperation, they might develop certain facts. As I understand it, the two departments have been cooperating in this matter and the authority granted one or the other has made it possible to investigate and report?

Mr. COLVER. I think so. I have been on the commission three years, and during that time neither myself nor any other member of the commission has been seen to come to Congress and ask for more power. We have come to your committees occasionally or frequently and tried to report stewardship, but we have not come to ask more power.

The CHAIRMAN. In your opinion you have the required authority?

Mr. COLVER. We have had our hands full with what we have got.

The CHAIRMAN. You are not asking for any additional power?

Mr. COLVER. We are not asking for anything; just reporting what we have done.

The CHAIRMAN. Has any exception been taken to your report? Do the packers generally agree to your report?

Mr. COLVER. What report is that?

The CHAIRMAN. The findings of facts.

Mr. COLVER. The report of the Federal Trade Commission?

The CHAIRMAN. Yes. Has it been questioned by the packers?

Mr. COLVER. I think it has been thoroughly and completely questioned, but not specifically. It has been questioned in that something has been left out.

The CHAIRMAN. Do their representatives agree to the findings of the commission as to the violations of the law?

Mr. COLVER. Well, they have signed a consent decree.

The CHAIRMAN. There has been some question as to whether that should be accepted as meaning that they agree.

Mr. COLVER. Yes. As I said the other day, they say they have not done these things and agree to quit.

The CHAIRMAN. There is a good deal of correspondence here. If it is real, it might be considered as evidence, at least, of violations. Did you get this correspondence from their files?

Mr. COLVER. Every one of them. There is not any question that there is violation of the law there. There is not any question that that correspondence shows violation of the law. There is a general denial but there is no specific denial here.

The CHAIRMAN. There is no question about the correspondence being genuine?

Mr. COLVER. None at all.

Mr. TINCHER. You say there is not any question but what the law was violated. What law do you mean?

Mr. COLVER. I thought the chairman was speaking of the Sherman law.

Mr. TINCHER. Yes; I think that is the law.

The CHAIRMAN. Also the Clayton Act.

Mr. TINCHER. Do the telegrams and letters disclose a violation of the Clayton Act, too?

Mr. COLVER. Some of the letters apparently do. I do not think there are any telegrams that run to the Clayton Act.

Mr. TINCHER. If you had letters of mine or telegrams of mine disclosing a violation of a Federal statute and there was a report

of the Department of Justice showing that, would the result be a consent decree? Do you know of any consent decrees being entered up against individuals for violating Federal statutes?

Mr. COLVER. I do not believe I can answer that question.

Mr. TINCHER. Well, the packers are pretty good-sized institutions, are they not?

Mr. COLVER. Yes.

Mr. TINCHER. And I see that the Attorney General said yesterday out in my State that he was enforcing all the laws there were, but that this Republican Congress would not give him any laws to give the people any relief, and I just wondered whether you had been informing them as you have others in this report, and whether the Department of Justice has had access to this report that there have been violations of these laws, and whether the customary way of settling those matters was by a consent decree, and whether a consent decree applies specifically to a harvester company or packer organization. Is that the way it is generally handled with them and not with the general run of people?

Mr. COLVER. I do not know. I can not speak for the Department of Justice. I can speak for the Federal Trade Commission and say no.

Mr. TINCHER. You do not deal in consent decrees?

Mr. COLVER. Not at all.

Mr. TINCHER. You are not popular, then.

Mr. ANDERSON. May I interject there?

Mr. COLVER. Not at all popular.

Mr. TINCHER. Yes.

Mr. ANDERSON. I understand an inquiry is now being made of a number of concerns investigated by the Federal Trade Commission with a view to ascertaining whether the final results were agreement orders issued by the commission. Do you want to say anything about that? I have reference to a questionnaire sent out by a Senate committee.

Mr. COLVER. Yes; I understand. No; I do not think I care to say anything about it.

Mr. TINCHER. Now, another proposition is that every time we touch on the subject of a proposed licensing system or Government regulation we are met with the statement that Government regulation has proved unpopular during the war; but we have had a license system with reference to certain branches of business in the United States for a good many years, have we not?

Mr. COLVER. Every corporation in every country in the world, since the first day there was a corporation, and since the first corporation was created by a sovereign act of the State, has had a license. That is what a charter is, and there never was a corporation and never will be a corporation operating anywhere, any way, except under a license. That is what a charter is.

Mr. TINCHER. The banks of this country operate under a Government license; that is, the national banks?

Mr. COLVER. Still farther than their charter; yes.

Mr. TINCHER. And they are regulated and supervised by the Government of the United States?

Mr. COLVER. Yes.

Mr. TINCHER. I believe it was said, when that legislation was enacted, that that would have the effect of putting the bankers out of business and that we would not have any banks. There are still applications, I understand, once in a while, for a national bank charter in the United States, is there not?

Mr. COLVER. And some of them have survived.

Mr. TINCHER. Yes; do you think that the meat-packing industry has reached the stage of advancement in the United States and is of sufficient importance so that for the benefit of the whole public there should be regulation of like character with reference to the packing industry of the United States?

Mr. COLVER. Yes; reasonable regulation; not interference. I go back for that belief to—well, way beyond—but in particular, I go back to 1904, 1905, and 1906, when James R. Garfield, then the Commissioner of Corporations, made reports on the subject of Federal license and control of corporations, and those corporations were the ones that were particularly in mind at that time; and for such use as you may care to make of it, I would like to refer you to the hearings before the Committee on Agriculture of the Senate on Senate bills 2199 and 2202, part 1, along in August, 1919, beginning at page 116, because there was inserted in the record a report of the Commissioner of Corporations which is a public document that is practically out of print, and being put in this record it has been saved, I think, for the use of committees of Congress and Members of Congress. There is a discussion of the theory and the practice of licenses for corporations engaged in interstate business. There is compared the various methods that were and have been suggested, State control, Federal incorporation, Federal license, and so on, and finally the result of the examination, supported by ample legal briefing, is that the license system furnishes the simplest, least burdensome, most equitable, and most reasonable and best in the public interest and best in the interest of business.

Mr. TINCHER. The point is that a Federal penal statute can be successfully enforced against me, and I can not violate it, but the packing industry has known to be such an institution that our experience has taught us that every time we have one of these hearings we are met with the statement, "Yes; we did violate the law, but we have changed that policy." "Yes; we did do those things but we have changed that and we have quit doing that now," and "Yes; we will give you a consent decree, even going beyond the law." It seems to me that our experience ought to teach us by this time that what we need to regulate this industry is a license system or Government supervision of the work in the way that the Government supervises and handles the banking interests of the country, and I wondered whether you agreed with that proposition.

Mr. COLVER. I do.

Mr. TINCHER. Now, I want to call your attention, Mr. Colver, to this proposition: Just a bill by Congress divorcing the packers from the banks—we will express it in that way—would work a great hardship right now. If we simply passed a bill without providing any means of credit for the producer, even with our present banking laws and with the reserve banks, and so on, by reason of their limitations, unless some avenue of credit was provided for the producer, just a

straight-out provision of that kind, I believe, would work a hardship on the producer and consumer alike, and therefore, unless the legislation can be general and unless it can be reasonably effective in the way of supervision, it is a dangerous subject for Congress to legislate on, do you not think?

Mr. COLVER. I think all legislation should be general.

Mr. TINCHER. I do not want to reflect on the Attorney General, although he is not so careful about reflecting on the Congress, but could you have any better example of that than the example of one branch of the Government filing with the Department of Justice a written statement that a great corporation had violated every law on the statute books, had committed every wrong that they could commit, except possibly, murder and treason, as shown, as you say, by the evidence of the commission, and then after a year and a half, the result is a consent decree that we can not even yet find out what it is about?

Mr. YOUNG. Mr. Tincher, you would not expect one department of this Government to express an opinion criticising another department in reference to its official functions?

Mr. TINCHER. I am not criticising.

Mr. YOUNG. You would not expect that?

Mr. TINCHER. I am asking if that is not the best excuse for a law of this kind.

Mr. YOUNG. You would not put the gentleman in that attitude?

Mr. TINCHER. I do not want you to criticise the department, but is not that an example of the fact that we need supervisory legislation?

Mr. COLVER. I have said from the beginning whether this consent decree is good, whether it is bad, we are not touching that subject at all, and whether it is well advised or ill advised, whatever may be said about it, it is at least one thing, it is an argument for legislation; at least that; and at most, that.

Mr. TINCHER. We had long hearings last summer here on the subject of cold-storage food products and the packers, directly or indirectly, in relation to a recommendation of the executive departments, and without reference to politics on this committee we decided to follow certain recommendations of the Executive and recommend the bill for passage, and as I remember, it was passed by the House, but has not yet passed the Senate; but without reference to politics and without regard to our political views on the committee, we all agreed that that bill would not have the effect of reducing the high cost of living. We passed it so that we might have uniform cold storage laws in the United States. Mr. Young and myself agreed upon that on the floor of the House. This Department of Justice—and the Attorney General, whom I am not supposed to criticize, says in my State, in a speech night before last, that if this dilatory Republican Congress had passed the cold storage laws he wanted them to pass, he could have reduced and stopped the high cost of living, and yesterday somebody wanted all day to jump on me for criticizing the Attorney General and I am in the humor to-day to have them do that in the record.

Mr. YOUNG. So far as I am concerned, I have no objection in the world and you can criticize them all you please in the proper forum, but there are gentlemen here, and I am one of them, engaged in

considering a very important, far-reaching piece of public legislation, and I am here to transact business along that line and try to reach a proper conclusion, and that kind of grand-stand play will not reach any conclusion with anybody, and you know it as well as I know it.

Mr. TINCHER. I am not grandstanding; I am answering the grand stand.

Mr. YOUNG. Well, there is a proper forum in which to do that and that is on the floor of the House and not in the committee room, where we are trying to get results.

Mr. TINCHER. Oh, they are busy over there.

Mr. YOUNG. You are not making any impression on me and I believe Mr. Rainey and myself are the only Democrats present.

Mr. TINCHER. You do not think it would be policy to pass this supervising law and licensing law without an effort being made to stabilize the credit necessary both for the packers who would take out a license and do business under that system and the producer who would produce for that packer, do you?

Mr. COLVER. No; there must be, of course, credit provided to transact any business.

Mr. TINCHER. I wonder whether the Federal Trade Commission in all these reports—and I am not disposed to criticize them at all—took into consideration the fact that the packers are not really money lenders, but the biggest borrowers in the United States, and that in order to stabilize the industry of the producers, it will probably be necessary to have legislation establishing or creating institutions that can afford proper credits to the producers and to the packer, if he complies with the law and takes out his license and operates under the supervision of the Government.

Mr. COLVER. You ask if attention or consideration was given to that?

Mr. TINCHER. Yes.

Mr. COLVER. Yes; but it has not come to the consciousness of the commission yet that the financial structure of this country is dependent upon these five corner stones. I think the financial or banking business of the country will get along all right without their assistance.

Mr. TINCHER. You do not think it would do now to pass a straight-out law and have in the law that the packers should not have any interest in the financial institutions or that no man connected with a packing plant should have any interest in any financial or banking institution like a bank or trust company, with nothing else in the law?

Mr. COLVER. We are getting rather off the line, I think. I think what is talked about is whether or not it is good policy and in the public interest for the packers to control the cattle-loan banks or the cattle-loan companies and those concerns which furnish the credit to the producers of the commodities which they buy; and we think not. Now, as to the details, as to the technique of working that out, or the mechanism; that is a matter for Congress.

Mr. TINCHER. That is what I am getting at. Somebody has got to control those things. Somebody has got to take an interest to that extent. The Federal reserve banks will not do it; that is,

they will not accommodate the trade. I think there is a limitation of $15,000 on loans to one man, or something like that, which would not accommodate the producers of the country. So there has got to be a financial system of one kind or another. Before we tear down anything that does exist, we must be constructive, too, and construct something that will take its place, do you not think?

Mr. COLVER. Undoubtedly.

Mr. TINCHER. Are you advised sufficiently on the cattle industry of the country to give an opinion as to what effect it would have if a law were to go into effect, say, to-morrow morning, barring the packers from having any connection with any financial institutions that financed the producers?

Mr. COLVER. Well, I think any law that you may pass here that will really have any effect on this industry will not go into effect to-morrow morning, for the reason, I think, it will go to the Supreme Court. There will be plenty of time for readjustment before you get through with your lawsuits.

Mr. TINCHER. Well, we must enact one that will stand the test of the Supreme Court.

Mr. COLVER. Absolutely; but it will take a long time to go there. Laws do not take effect to-morrow morning when they affect things of this magnitude.

Mr. RAINEY. Do you think, Mr. Colver, that the packers, being interested in some of these banks, have helped the producer instead of injuring him.

Mr. COLVER. I think that is for the producer to say. I think the producer has his own information and experience on the subject.

Mr. RAINEY. Have you an opinion?

Mr. COLVER. If you ask me, I think the packers went into that, as into the other things, for their health and not for the health of the people they dealt with.

Mr. RAINEY. Do you think the packers being interested in banks made it easier for the producer to get money which might be denied him by other banks?

Mr. COLVER. I think it made it easier for the packers to get the product of the producers. I think that was the purpose.

The CHAIRMAN. The injury is in the calling of loans. You will recall that last fall, as cattle were about to be marketed, the Federal reserve bank called its loans, which I am told resulted in increasing the receipts or profits of the packers; that is, by calling the loans to stockmen who had given their notes or mortgages they were forced to dispose of their stock. It has been stated that that is the plan of the packers' banks. Whenever they need cattle a loan is called and the cattle necessarily have to be shipped to market in order to satisfy the indebtedness. Have you evidence of that?

Mr. COLVER. I will say as to that, that I think the witnesses, the producer-witnesses here, who have had the actual experience, can give you very much better and more satisfactory statement on that subject than I can give you. Of course, I do not want to evade the question.

The CHAIRMAN. I understand. That is perfectly satisfactory. With reference to the independent packers, what evidence have you that would indicate that the big packers have had anything to do

with putting them out of business? You call attention to the number going out of business, I believe one every 90 days. What evidence have you to show that the big packers have had anything to do with that? The contention here, generally, is, that that is being done.

Mr. COLVER. Well, let us see how it is done and by what divers ways it is done, and while we are talking about that, let us take one typical case.

The CHAIRMAN. I call your attention to a statement in your report:

We have a large number of their price-fixing letters, dating from 1915 to the time of our agents' visit in 1917, from which we select the two following.

The first one is a letter from Mr. Washburn, of the Western Meat Co. of San Francisco, to Mr. Scott, manager of the Cudahy Packing Co. of Los Angeles, which states:

They tell us that Mr. Fuller is shipping some of his cattle to Los Angeles to kill. Our man went down to see these cattle with Mr. Fuller, who priced them at 7 cents. We did not know whether you were figuring on using these cattle or not, but we told him that our ideas were 6 cents, which, of course, would not hurt you in making your trade. Do you need these cattle—if you don't we could probably use some of them very nicely as they are not too heavy and are fairly close by.

The next is a letter from Mr. Scott to Mr. Washburn:

We note your views as to the future of the grass-cattle market, which seems to be in line with the views of most of the Los Angeles packers. I can hardly bring myself to believe, however, that we will be fortunate enough to get good grass American cattle for 6 cents per pound, and while we have not yet arranged with Fullers as to the price to be paid for the Chowchilla cattle, I have in mind a figure of 6½ cents. The sample shipment we have had is very good and two or three weeks more time on good feed, which they are all on, will make them a very desirable herd. The weights are right and they are going to be in good condition. Our idea would be that 6½ cents for the average run of grass cattle would be about a fair market figure provided there are sufficient supplies to meet the requirements of the summer trade.

Then it goes on to state further about the prices. Do they exercise the power of fixing prices—putting up the prices where they are in competition with the independent packers and lowering the prices where they have an absolute monopoly of the market? Have you any evidence of that?

Mr. COLVER. I think these concerns, in their position in the industry, could fix prices and do fix them.

The CHAIRMAN. Wherever they find it necessary to put a small independent packer out of business, do they run up the prices in that particular locality?

Mr. COLVER. Well, that is one way.

The CHAIRMAN. If so, the independent packers are at a disadvantage in the market?

Mr. COLVER. One of the great difficulties in the case of the independent packer is the matter of credit. That is one of the chief difficulties with the independent packer—credit—and the reason his credit is not good, because, being an independent packer, it is an extremely hazardous business in this country. It is like running a powder mill, and that is why his credit is not so good.

The CHAIRMAN. Have the meat packers influence with the banks or those extending credit to the independent packers through the ownership of banks?

Mr. COLVER. Yes; and through the general impression that it is not a healthy business. The record in the business is not good; the mortality is high and the longevity is low.

The CHAIRMAN. Due to disadvantages in shipping and credit?

Mr. COLVER. I think so.

The CHAIRMAN. And purchasing?

Mr. COLVER. And due to the commanding position of the five.

The CHAIRMAN. For which the trust is responsible?

Mr. COLVER. I think so.

The CHAIRMAN. You spoke of influencing the press; has that anything to do with it? I should not say "you"; I should say the report refers to influencing the press, through advertising and through various other ways.

Mr. COLVER. I do not know that that has much to do with the elimination of the independent packers, if you are talking about the elimination of the independent packers now.

The CHAIRMAN. Yes.

Mr. COLVER. Possibly not.

Mr. RAINEY. Mr. Colver, you suggested you believed the packers did fix prices?

Mr. COLVER. Yes, sir.

Mr. RAINEY. Is not that the belief of the producer, that the packer is in a position to dictate the price, and therefore he ought to be able to pay him cost plus for his products, for his cattle?

Mr. COLVER. I never heard that contention made by a producer. I do not believe they could make that contention very well. It would not indicate any cost-plus figure.

The CHAIRMAN. Is there anything further, Mr. Colver?

Mr. COLVER. I should like to make the suggestion that if any of you gentlemen want to read an interesting story—and when I use the word "story" I mean statement of fact which will illustrate three things: First, the typical way in which an independent packer can be destroyed; second, that the control of bank or yard facilities is a means; and, third, that direct ownership is not necessary, but indirect ownership is—I think you will find yourself interested beginning on page 187 of part 2 of the hearings before the Committee on Commerce of the House of Representatives, January 2 and thereafter, 1919—I leave this thought with you—that was the narrative of the elimination of the Hurni Packing Co. at Sioux City, Iowa. A reading of that, which covers only a comparatively few pages—it covers only five pages—will give you an idea of the power of life and death and whether it can be exercised by individuals.

Mr. VOIGT. What was the subject of the hearing?

Mr. COLVER. House bill No. 13224. Shall that be incorporated in the record?

The CHAIRMAN. The elimination of the independent packer is the root of much evil and one of the most important things under consideration. If there is anything to that contention, it seems to me that it is one of the most important subjects under consideration.

Mr. RAINEY. I am anxious, when Mr. Colver puts in the record this one specific instance, he add the names of any other independent packers the Federal Trade Commission found were put out of business by the big five packers.

The CHAIRMAN. So far as it is possible for Mr. Colver to do that
Mr. COLVER. Yes, sir.

The CHAIRMAN. Mr. Colver, is there anything else that you care to suggest or that you desire to have incorporated in the record?

Mr. VEEDER. Mr. Chairman, may I ask that the tabulation of the specific cases of where packers were put out of business be handed in as soon as possible, because we should certainly have an opportunity to answer such an assertion as that?

Mr. COLVER. I will engage to supply it the same day that Mr. Armour's statement with reference to the Chicago stockyards is filed, if you will give me notice.

Mr. VEEDER. As far as Swift & Co. are concerned, they have nothing to do with the Chicago stockyards.

Mr. VEEDER. The promise of Mr. Colver to furnish certain information on this question of putting competitors out of existence should not hinge upon Mr. Prince's endeavoring to comply with the request of Mr. Armour to furnish the information.

Mr. WILSON. I do not think that any information furnished here should be dependent upon some other information.

Mr. COLVER. This is not dependent. I said that I would have it here as soon as possible.

Mr. WILSON. That is satisfactory to me, if you say that is what you said. We do not know anything about the outside scraps between your folks at all; we are entirely disinterested.

Mr. COLVER. That is simply an engagement made with the committee.

Mr. WILSON. It is something that should have been done and has not been done, but I know nothing about it.

Mr. CREIGH. I represent the Cudahy Co. We have a plant at Sioux City, and I should like to know whether Mr. Colver contends that the Cudahy Co. in the story, as he calls it, had anything to do with running the Hurni people out of business?

Mr. COLVER. No; Swift & Co.

Mr. CREIGH. It is not a Big Five instance; it is Swift & Co.?

Mr. COLVER. Yes; you helped Swift & Co.

Mr. CREIGH. I wish you would explain what you mean about it and give us a few facts.

Mr. ANDERSON. What is your position?

Mr. CREIGH. General attorney for the Cudahy Co.

Mr. ANDERSON. Mr. Chairman, if we are going to permit counsel for the packers to examine the witnesses, I shall ask that there be appointed a counsel for the committee to examine the witnesses of the packers when they come on.

Mr. WILSON. I do not think that we should go that far. He just made a request as to a certain statement.

Mr. ANDERSON. They have been taking up the time asking questions. I have no objection to their asking questions, but we have adopted a rule, and you were one of the men who voted for it.

Mr. WILSON. No; I voted against it. It does not make any difference one way or the other. If a statement is made that needs explanation, I should like to know about it. If there is an instance showing that the Cudahy Co. cooperated with Swift, Armour, and Morris involving the destruction of another concern, I think it is

only natural that we should want to know all the facts, not just one blanket statement that it was done. I think anyone interested in any of these concerns would have a perfect right to request a positive statement from this gentleman.

Mr. COLVER. The statement in full is incorporated in the five pages.

Mr. WILSON. I have not read that statement and I do not know anything about it.

Mr. VEEDER. I regret very much that I created this discussion.

The CHAIRMAN. I believe the hearings so far have been properly conducted. I do not think that any improper questions have been asked. So far as the rule passed is concerned that was simply to prevent incumbering the record with a lot of unnecessary matter at Government expense. The hearings that have been referred to are a part of the evidence and a part of the record. They are being used in conducting this investigation and also as a part of the evidence before the committee. I think it is perfectly proper for these gentlemen to ask questions at times. I take it that when the examination of the other side is going on that Mr. Colver, or whoever may represent the Federal Trade Commission, will have the same opportunity as has been granted these gentlemen.

Mr. TINCHER. I think it would be very well to have somebody representing the Federal Trade Commission attend these hearings.

The CHAIRMAN. Will the understanding be that whoever represents one side or the other is at liberty to ask questions at any time? Some discretion, of course, must be exercised so as not to take up the time of one another. So far there has been no confusion. We have been getting along very nicely.

Mr. WILSON. I think the hearings have been very modest so far. I think, as suggested by Mr. Tincher, that some one representing the Federal Trade Commission should be here during the testimony that is being given from time to time.

Mr. COLVER. The Federal Trade Commission does not feel that it is a party to this controversy. The Federal Trade Commission does not appear as the party defendant in any action and it does not appear as the proponent of any legislation; it does not appear as a partisan of anything. The Federal Trade Commission was ordered to make an examination and report. Some facts have been reported by the commission. Those facts are here for your use. The Federal Trade Commission will be glad always to attend the hearings for the purpose of searching the record or helping through this very voluminous record that has been made, but to attend the hearings and to examine or cross-examine witnesses and appear as a partisan and appear to be a party to any proceeding here is quite improper.

Mr. WILSON. I do not think that was the intention of Mr. Tincher. I think his intention was the same as mine, that if some of your folks were here that you could help us in securing data from previous testimony and could give us your advice and counsel on matters that come up, but not for the purpose of cross-examination. You are one arm of the Government as we are, and I do not know but it seems to me that it would be the sense of the committee that some of you gentlemen should be here.

Mr. TINCHER. If they are going to take your report and show that it is wrong, we want you here so that we can talk to you about the

legislation. If they get off any stuff that is not good you gentlemen know about it and can tell us. We are not afraid of them.

Mr. WILSON. We are not afraid of anybody here.

Mr. VEEDER. I simply suggested that if a definite statement was to be filed that contained charges that independent packers were driven out of existence by Swift & Co., that it be filed as promptly as possible, so that Swift & Co. may have a chance at this hearing to explain it or deny it. I intended to make that as courteous as possible.

Mr. TINCHER. You are familiar with this particular thing that Mr. Colver has referred to?

Mr. VEEDER. The explanation is already in the hearings of the other committee.

Mr. TINCHER. And if you have driven any other packers out of business that he has overlooked you will tell him?

Mr. VEEDER. If we know of any we will certainly inform him.

Mr. WILSON. That is perfectly proper. Mr. Veeder, of Swift & Co., should be able to know other concerns which they have put out of business.

Mr. ANDERSON. They do not put them out of business, it is benevolent assimilation.

Mr. WILSON. That is what the charge is. I do not know whom they have put out of business. They never put me out of business.

(The statement in regard to the elimination of the Hurni Packing Co., referred to by Mr. Colver, follows:)

One independent packing company absorbed by the big packers in 1917 was the Hurni Co., of Sioux City.

Now, here is where the public comes in. In Sioux City there was an old Swiss who had come to that town years and years ago. He started out by going to the stockyards and buying the crippled pigs; the pigs that had been hurt in shipment but were not dead, and taking them to his little house or shop, or a place in the back of the lot and killing them, dressing them, and preparing that pork and peddling it around.

From that wheelbarrow beginning he kept on increasing his business until finally he owned a fine little packing plant right in the yards; that is to say, he got a piece of land, built his packing house on it, and when the yards had to grow—that is, when the development of the market forced a growth of the yards—the Missouri River was on one side and a creek was on the other side at an angle, and the yards were up against the two waterways, and this chap was behind them, so they grew around him, and the yards encircled his plant, and he had a pretty good-sized plant.

Now, the public was interested in this way: The public of Sioux City, let us say—the public of Sioux City was interested to see this old chap, who had started in with a wheelbarrow and who had built up a fine, successful business, rewarded, I think, for his contribution to the growth of Sioux City. Also he fixed his own prices. He was a factor in determining the price of the meat that the Sioux City people ate. He was independent. He was a Swiss. I guess he must have been from the mountains instead of the valleys of Switzerland; but anyway, he was an independent, and he stuck on there for years.

The public was interested, then, I think, in the development in that western community of a big business out of a small one. It was interested because the development of that business developed the town. It was interested because the development of that business furnished competition in a basic food commodity. It was interested because the development of that business furnished another market for growers of stock to bring material in and get their money, and spend their money with the merchants of Sioux City. There, I think, to a degree, was a public interest in that yard.

Mr. HAMILTON. Mr. Colver, may I ask you a pertinent question right there?

Mr. COLVER. Yes.

Mr. HAMILTON. Was there competition between this Swiss and the packers as to prices locally; or did he cooperate, and was there an understanding as to prices?

Mr. COLVER. There was competition to this extent, that his competitors tried to put him out of business by every method there was, including cutting prices. Yes; there was competition.

Mr. HAMILTON. Repeat that, please. I did not catch it exactly.

Mr. COLVER. I say, there was competition to this extent: That his competitors, the packer companies, tried to put him out of business for years by every device, including price wars.

Mr. HAMILTON. Then there was competition.

Mr. COLVER. There was competition up to the time he gave up the ghost. He is going to give up the ghost shortly.

Mr. HAMILTON. The consumer in that case had the benefit of the competition?

The CHAIRMAN. Yes.

Mr. COLVER. The consumer in that case has the benefit now of having seen that industry wiped out.

Mr. HAMILTON. No; I said before that time. Before it passed over into the hands of the big packers the public, or the consumers, had the benefit of the competition.

Mr. COLVER. Exactly; just as the seller of munitions has the benefit of a war. It is profitable while it is going on and until somebody gets killed. I can not call it benefit, Mr. Hamilton. I can not adopt your word.

Mr. HAMILTON. I do not understand you, then. Competition has always seemed to me to be a benefit to the consumer. If you and I cooperate and fix the price we are arbitrarily controlling the price to the consumer.

Mr. COLVER. Yes.

Mr. HAMILTON. If you are bigger than I am and absorb me, then you fix the price and the consumer has to pay what you fix as the price.

Mr. COLVER. Yes.

Mr. HAMILTON. That is what I was trying to get at in this case.

Mr. COLVER. Yes; but the competition which puts me out of business and later lets you fix the price forever is not a benefit to the consumer, because——

Mr. HAMILTON (interposing). Precisely not; and that is exactly what I have been trying to demonstrate.

Mr. COLVER. That is why I did not like to accept your word "benefit."

Mr. HAMILTON. As long as it existed it was a benefit. It is one of the evils of present conditions, as I understand, that competition has been largely done away with. That was what I was trying to get at.

The CHAIRMAN. Proceed, Mr. Colver. We want to go ahead.

Mr. HAMILTON. We do not want to go ahead too fast. He did not understand me.

The CHAIRMAN. We do not know yet that the old man ever sold out.

Mr. HAMILTON. He is coming to that point. It is perfectly clear what is going to happen to that old man.

Mr. MURDOCK. You can see his funeral?

Mr. HAMILTON. I can see his funeral now.

Mr. COLVER. Now let us drop the wreaths on this poor old chap. One big independent packing company absorbed by the big packers in 1917 was the R. Hurni Co., of Sioux City. This property was sold to the Sioux City Stock Yards Co., controlled by Swift, which——

The CHAIRMAN (interposing). Is the company you are referring to now the company that was owned by this old Swiss?

Mr. COLVER. Yes; this is the old Swiss, Hurni.

The CHAIRMAN. Heretofore you have called him the old Swiss and nothing else.

Mr. COLVER. I said he was an old Swiss, because he was from Switzerland.

The CHAIRMAN. But did you not give his name?

Mr. COLVER. Mr. Hurni was the name of this old Swiss.

The CHAIRMAN. The old Swiss and the company they absorbed are the same thing?

Mr. COLVER. Yes. This property was sold to the Sioux City Stock Yards Co., controlled by Swift, which company in turn leased the property to Swift & Co. The Hurni Co. in 1917——

Mr. COOPER (interposing). Did this company have to sell out?

Mr. COLVER. We are coming to that.

The Hurni Co. in 1916 had an average kill per week of 172 cattle, 87 calves, and 200 hogs, and shipped about 300 cars of dressed beef per year in interstate commerce.

The stockyards company tried to get the Hurni plant for many years. It adjoins the stockyards, and by cutting a gate from the alley to the Hurni property Hurni's cattle and hogs could have been delivered direct to his plant from the yards.

We have a picture of that, which is interesting, and I wish it were here.

The CHAIRMAN. You can put it in your hearings, if you will.

Mr. COLVER. I will try to explain it without the picture, if I can.

But the stockyards company refused to allow the gates to be put in. Consequently the Hurni live stock purchased had to be driven from beyond the extra buildings and through Chambers Street, one of the most congested streets in the city, several blocks to the Hurni plant.

Now, let us see. Here [indicating] were the stockyards and here is the Missouri River, and here is this street, with this old gentleman and his packing house here [indicating]. The stockyards were over here [indicating]. They had to grow, so they grew around in this way [indicating] until the stockyards were here and this plant was right in here [indicating]. The exchange building was here [indicating]; and he bought the stock at the exchange building; and here [indicating] were the pens and here were the roadways, and he asked them to cut a gate here [indicating], so that when he bought his animals he could deliver them into his yards.

The CHAIRMAN. Through the gate?

Mr. COLVER. Through the gate. For years he asked it, but it was never granted; so he had to come out here [indicating] into a city street, with street cars on it—a crowded city street—and drive around from a gate over here [indicating].

Mr. DILLON. When you say "coming out here" and "going out there," that does not mean anything unless you put in a plat.

Mr. COLVER. I was trying to indicate the situation of this yard.

Mr. MURDOCK. But that would not show in the record.

Mr. COLVER. It will not show in the record, of course.

Mr. DILLON. That is what I meant.

Mr. COLVER. He asked for years that this gate be cut through from his place into the yards where he bought his stuff.

Mr. HAMILTON. In other words, they had him in a pocket.

Mr. COLVER. Yes.

Mr. SANDERS. Can you not explain the whole thing by saying that since the Swifts have bought it the gate has been put there?

Mr. COLVER. Yes; and more.

Mr. SANDERS. Since the same interests that own the stockyards have acquired the plant they have put the gate there?

Mr. COLVER. Yes. The day after the stockyards company acquired the plant the gate was put in and thereafter stock was received direct at the plant

The CHAIRMAN. A competing stockyards, as I understand, owned land and had control of putting in the gate and refused it?

Mr. COLVER. This stockyards, you know, was owned by Swift & Co., and he was their competitor.

The CHAIRMAN. He was their competitor and they would not let him have the gate, which made it very inconvenient and less profitable for him to operate his business?

Mr. COLVER. Yes; that is right. I am trying now to get to where the public is interested in the thing. Mr. Hurni tried for five years prior to the sale of his plant to get some sort of switching track that would enable him to load meat at his plant. He had to haul this product through the streets to connect with the switching track of the Terminal Railroad Co. at a cost, stated by his attorney, of $30 per car. That figure is not verified, and I do not adopt it; but it is given by a man who says he knows. I mean we have not had an expert accountant to figure it out at $30 a car; and that involved the taking of dressed meat from Hurni's plant, putting it on wagons, which had to be maintained—either wagons or automobiles—and involved the upkeep of the vehicle and of either the motors or the horses that hauled the product and crews for loading the meat and driving the wagon or driving the automobile, and that is estimated at $30 per car, I do not mean estimated, but testified to before the commission at $30, which is a figure that was not established by a bookkeeper, because there was not any bookkeeping there.

The stockyards company always refused permission for the construction of the tracks, but after the plant was sold to the stockyards company the track was put in.

Now, here is a public interest:

It was necessary, in order to have the tracks, for the city council to grant a franchise authorizing the construction of a track across Chambers Street. The Hurni people appeared before the city council several times to support the request for the franchise. The manager, superintendent, and general counsel of the stockyards company appeared also and opposed the granting of the franchise, and their views prevailed.

Within 10 days after the sale of the Hurni plant to the stockyards company these same officials appeared before the council to request the same franchise which they had previously opposed. The council passed it this time and the track was put in.

I think there is some public interest in that; that is, if the public out there are interested in their council.

Mr. COOPER. I think it was time for the public to get busy with that council.

Mr. COLVER. Well, maybe they did not know it.

Mr. SWEET. Now, there is another independent concern at Sioux City—the Statter Co. Is that in existence now?

Mr. COLVER. That is relatively a much smaller concern than this. It is still in existence.

Mr. SWEET. That is an independent concern, too, is it not?

Mr. COLVER. Yes. His plant is not so extremely advantageously located as Hurni's was, where the stockyards grew right around it; but the Statter people, in turn, have been seeking and seek switching facilities, and have not gotten them. He did not even ask for a switch; he just asked for a lane so he could drive his stock a shorter route out of another side of the yards, driving them along a lane along the river, and he can not get that; that is, this other concern you spoke of, which is a smaller concern. I do not know the merits of his not getting it at all, or whether he should have it or should not. In this other case it seems this gate and the switching track were good things—perhaps too good a thing—for some people to have.

Mr. COOPER. In reference to this company that was absorbed by the Swift Co., which you just spoke about, do you know what the consideration was when they sold out to Swift? Did they get a pretty good price for their institution; that is, did they stand to lose anything in having to sell, or did they make something on the transaction?

Mr. COLVER. The sale took place and the old Swiss, Hurni, died two weeks later. His advancing years may have had an influence. The price that was paid was an agreed price, and I can not tell you what the price was.

Mr. COOPER. They probably then received some benefit from the sale of the plant.

Mr. COLVER. The old man?

Mr. COOPER. Yes.

Mr. COLVER. Undoubtedly. He was paid for his place; and let us assume he was paid a fair value for his packing house without the switching track and without a gate into the yard, the live stock for which had to be driven down a street with car tracks and street cars. Those were among the elements that went into the property that was sold.

Mr. COOPER. Do you think there was anything unfair in the Swift Co. trying to absorb this property if they paid him his price for it?

The CHAIRMAN. We are now talking about the public interest.

Mr. COOPER. But the Swift Co. is involved in this public question here. Suppose you and I had the property and we were offered a good price for it. If we thought we could make something we might sell.

Mr. COLVER. Yes.

Mr. COOPER. Was there anything unfair in the Swift Co. trying to get this property?

Mr. COLVER. In the first place, of course, we must not say that the Swift Co. got it. We must not say that, because if we did we would have a breach of the law. No; the Swift Co. did not absorb this plant.

Mr. COOPER. I understood so.

Mr. COLVER. Oh, no; the stockyards company bought the place from Hurni, the stockyards company being a stockyards company and not a packing house, and therefore, a competitor did not buy a competitor. Then the stockyards company leased it to Swift, who was a packer, so it is quite evident that the packer did not absorb his competitor. That is, perhaps, a compliance with the letter of the law.

Mr. DOREMUS. I have gathered from your remarks, Mr. Colver, that th operator, this independent operator, was forced to sell by reason of the con petition that preceded the sale; is that true?

Mr. COLVER. It is difficult, of course, to say now that that dead man reache a point where he was forced. He finally gave up the fight. He had asked fo reasonable things. He had asked for reasonable facilities. These two instance we have given you are only two instances of the row the old man was hoein there.

Mr. SANDERS. Is it not reasonable to presume that if he could have gotte switching-track facilities and a gate and everything of that kind he would no have sold?

Mr. COLVER. I would think so. I think if he was there on even terms wit anybody else, that they would still be in existence as an independent plant. think that is reasonable to presume.

Mr. SANDERS. Then it is reasonable to presume that measures were adopte to force a sale and that it was forced.

Mr. COLVER. I think so.

Mr. DOREMUS. I understood you to say he was subjected to unfair compe tition by virtue of price cutting, among other things?

Mr. COLVER. If I said "unfair," I thought I said the severest of competitior hostile competition.

Mr. DOREMUS. Including the cutting of prices.

Mr. COLVER. Yes.

Mr. DOREMUS. That all bears on the question and answer to Mr. Cooper a to whether there was a square deal all around.

Mr. COLVER. Yes.

The CHAIRMAN. Let me get straight on it, myself. Was it competition i his use of the yards by the yard company or was it competition in meat prod ucts sold by this packer and the other packers in competition with him?

Mr. COLVER. Yes; the latter.

The CHAIRMAN. Then, the stockyards company was not per se selling dresse meat?

Mr. COLVER. No; the competition lay, as you say, between the packers an this old packer, and the yard, which was the medium at least of some of th difficulties that this old man met with, was not in competition with him. I was just owned by the people who were in competition with him. It was jus owned by the people who——

Mr. SANDERS. In the language of the street, he got the worst of it from bot sides, did he not? He was crowded out? The stockyards would not give hi any facilities, and his competitors who were selling meat were trying to se under him and drive him out of business.

Mr. HAMILTON. It is a clear case of "freeze out," is it not? It was apparen from the outset that it was, and that the more difficult they made it for th old man the cheaper they could buy him out eventually.

Mr. SANDERS. Of course.

Mr. HAMILTON. It is a very simple proposition and as old as human nature unfortunately.

Mr. COLVER. Yes; it is like Naboth's vineyard. I have never figured jus how they got him to sell out, but it was something like that.

Mr. VOIGT. Mr. Colver, is that injunction of 1903 a part of you record?

Mr. COLVER. Yes, sir; it is copied in the report in full, I think the essence of it is in the report at least.

The CHAIRMAN. It has been copied into the Senate hearings also

Mr. COLVER. Yes, sir.

Mr. VOIGT. Was that injunction granted against these five pack ers or any of them?

Mr. COLVER. Against them or their predecessors in the case o Sulzberger & Co., succeeded by Wilson & Co.; the same parties, i fact.

Mr. VOIGT. What were they enjoined from doing, if you can stat briefly?

Mr. COLVER. I can recite it or insert it in the record, according to your wish.

Mr. VOIGT. Please hand it to the reporter to be put in the record.

Mr. COLVER. Yes, sir. It will be an extract from the report of the Federal Trade Commission on the meat-packing industry, Part 2, beginning at page 18—the subtitle is Section 3—the Sherman law case of 1902–1903 and the injunction, and runs down to the middle of page 19.

(The matter referred to is as follows:)

The Department of Justice, May 10, 1902, filed a petition in equity for an injunction against the packers, alleging various acts in restraint of competition in the purchase of live stock and the sale of meats, and in monopolization of commerce therein, including conspiracy to secure railroad rebates for the purpose of monopoly.

On May 21, 1902, a temporary injunction issued and, demurrers being overruled, a preliminary injunction was granted February 18, 1903. On April 22, 1903, the petition was taken pro confesso and on May 26, 1903, the preliminary injunction was made perpetual, and on appeal was affirmed, with slight modification, by the United States Supreme Court, April 11, 1905. (196 U. S., 375, 394, 394.)

Terms of injunction.—The perpetual injunction of May 26, 1903, as modified by the mandate of the Supreme Court in 1903, was as follows (paragraphing, subdivisional numbering, and italics inserted by the commission for convenience in analysis):

"And now, upon motion of the said attorney, the court doth order that the preliminary injunction heretofore awarded in this cause, to restrain the said defendants and each of them, their respective agents and attorneys, and all other persons acting in their behalf, or in behalf of either of them, or claiming so to act,

"(I) from entering into, taking part in, or performing any contract, combination, or conspiracy, the purpose or effect of which will be as to trade and commerce in fresh meats between the several States and Territories and the District of Columbia, a *restraint of trade*, in violation of the provisions of the act of Congress approved July 2, 1890, entitled 'An act to protect trade and commerce against unlawful restraints and monopolies,' either

"(1) by directing or requiring their respective agents (*a*) to *refrain from bidding* against each other *in* the *purchase of live stock;* or (*b*) collusively, and by agreement, to *refrain from bidding* against each other *at* the *sales of live stock;* or

"(2) by combination, conspiracy, or contract, *raising or lowering prices or fixing uniform prices at which* the said *meats will be sold*, either directly or through their respective agents; or

"(3) by *curtailing* the *quantity of such meats shipped* to such markets and agents; or

"(4) by *establishing* and maintaining *rules* for the giving *of credit* to dealers in such meats, as charged in the bill, the effect of which rules will be to restrict competition; or

"(5) by *imposing uniform charges for cartage* and delivery of such meats to dealers and consumers, as charged in the bill, the effect of which will be to restrict competition; and also

"(II) from violating the provisions of the act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies,' by combining or conspiring together, or with each other and others, to *monopolize* or attempt to monopolize any part of the trade and commerce in fresh meats among the several States and Territories and the District of Columbia,

"(1) by *demanding, obtaining, or*, with or without the connivance of the officers or agents thereof, or any of them, *receiving from railroad companies* or other common carriers transporting such fresh meats in such trade and commerce, either directly or *by* means of *rebates, or by any other device, transportation of or for such meats*, from the points of the preparation and production of the same from live stock or elsewhere, to the markets for the sale of the same to dealers and consumers in other States and Territories than those wherein the same are so prepared, or the District of Columbia, *at less than*

the regular rates which may be established or in force on their several lines of transportation, under the provisions in that behalf of the laws of the said United States for the regulation of commerce, be and the same is, hereby made perpetual.

"But nothing herein shall be construed to prohibit the said defendants from agreeing upon charges for cartage and delivery, and other incidents connected with local sales, where such charges are not calculated to have any effect upon competition in the sales and delivery of meat.

"Nor from establishing and maintaining rules for the giving of credit to dealers where such rules, in good faith, are calculated solely to protect the defendants against dishonorable or irresponsible dealers.

"Nor from curtailing the quantity of meat shipped to a given market where the purpose of such arrangement, in good faith, is to prevent the over accumulation of meats or perishable articles in such market.

"Nor shall anything herein contained be construed to restrain or interfere with the action of any single company or firm, by its or their officers or agents (whether such officers or agents are themselves personally made parties defendant hereto or not) acting in respect to it or their own corporate or firm business, property, or affairs."

Mr. TINCHER. It has been suggested, Mr. Chairman, that part 1 of the report of the Federal Trade Commission is not available.

The CHAIRMAN. Mr. Colver, are these reports available?

Mr. COLVER. Yes, sir.

The CHAIRMAN. Part 1 also?

Mr. COLVER. Yes, sir; I think so.

The CHAIRMAN. I was told the other day that they were not available.

Mr. COLVER. Part 1 has been exhausted.

Mr. TINCHER. I suggest, Mr. Chairman, that as part 1, which contains the summary, is exhausted, that the summary be incorporated in the record.

The CHAIRMAN. Without objection, it will be so ordered; just the summary.

Mr. COLVER. Is there any other suggestion which you desire to make to the committee?

Mr. COLVER. I think not, Mr. Chairman. As we have gone through the hearing we have put different things in the record and things from former hearings, which, I think, if read together, will give you a very good understanding.

The CHAIRMAN. We are very grateful to you, Mr. Colver.

(The summary contained in Part I of the Federal Trade Commission's report follows:)

STATEMENT OF MR. CHARLES A. LYMAN, SECRETARY NATIONAL BOARD OF FARM ORGANIZATIONS, 1731 I STREET, WASHINGTON, D. C.

The CHAIRMAN. You may proceed with your statement, Mr. Lyman.

Mr. LYMAN. Mr. Chairman and gentlemen of the committee, I am appearing before your committee to-day by virtue of a resolution adopted and instructions given me last Saturday by the directors of the National Board of Farm Organizations.

On previous occasions when representatives of our board have appeared before committees of the Congress, we have been asked to file a list of member organizations, and I shall be glad to do so at this time, if you so desire it.

The CHAIRMAN. You may state briefly the character of the organizations, their membership, and so on, if you wish.

Mr. LYMAN. The National Board of Farm Organizations is an overhead body to carry on work in the interest of a number of farm organizations, 14 in fact, the majority of which are national or interstate in their scope. Generally speaking, the board is doing, or is seeking to do for its membership, those necessary, legitimate things which the Chamber of Commerce of the United States does for commercial organizations. The two largest member organizations are the National Farmers' Union and the National Milk Producers' Federation. Other important farm organizations extending over the country rather extensively are the Farmers' Equity Union and the Farmers' Society of Equity. The Pennsylvania State Grange is a part of the board with about 80,000 members, as is also the Corn Belt Meat Producers Association.

But, as I say, I shall be glad to give the entire list of member organizations.

The CHAIRMAN. You may give any statement you desire in that connection to the reporter.

Mr. LYMAN. I should like to insert the objects of the board as provided in its constitution. (The matter referred to is as follows:)

CONSTITUTION AND BY-LAWS OF THE NATIONAL BOARD OF FARM ORGANIZATIONS.

OBJECTS.

1. To unite the farm organizations of the United States for all purposes upon which they may agree, leaving each free to take or not to take as an individual organization any action or position upon any question wherein it does not agree with the others.

2. To afford a ready means of giving voice and weight to the views of the farmers in national affairs.

3. To promote the interests of the farm families of America, to conserve and increase the influence of those who feed and clothe the people, and to further a national recognition of the power and position of the farmer in national life.

4. To increase the value of the service of the farmer to the Nation, and of the Nation to the farmer.

Mr. LYMAN. I have in my hand a clipping taken from the Washington Post of to-day, being an advertisement by the Institute of American Meat Packers. This statement asks the question:

Do the people really want to legislate against the meat-packing industry?

I take it this advertisement will be read by people generally in the city, including the Members of Congress, and very likely by the members of this committee, and for that reason I want to refer to the question which the advertisement raises. It speaks about bringing down to Washington 195 persons to testify before the Senate Committee on Agriculture and Forestry. It says in part:

Farmers or producers were represented more numerously than any other group. Eighty-two of them were present. There were 21 of the so-called smaller packers. Of the 195 persons who appeared only about 12 criticized the packers, and of these 12 several were opposed to licensing the industry.

It seems clear then that there is no widespread desire for new legislation aimed at the meat-packing industry. In fact, it seems that producers and consumers, on the whole, believe at this time such legislation would be harmful to the interests of all.

I want to say, Mr. Chairman, that as far as the National Board of Farm Organizations goes this viewpoint so optimisticlly advanced by the Institute of American Meat Packers is not in accordance with the facts. I was instructed to come here and present the viewpoint of the farmers belonging to the National Board of Farm Organizations, and that viewpoint is that there should be legislation enacted by the Congress which will effectively control the meat-packing industry. Later on I will give you resolutions which have been adopted at meetings of the National Board of Farm Organizations.

I want to say in this connection that our board represents approximately 2,000,000 actual bona fide farmers. So that with their families it represents eight or nine million people.

My personal viewpoint here is not of particular interest to you, I take it, although I have been a farmer all my life; but the fact that I represent a large number of people is of interest to you. That is why I read to you this advertisement in the paper, and I want to say most emphatically that as far as my knowledge of this situation goes this advertisement does not in any sense reflect either the feeling of the farmers or of the consumers. One representative of the consumers was here before you on yesterday. He gave you an entirely different idea of the consumers' viewpoint. Other representatives are available. There is in this audience now a representative of the Consumers' League of Washington and the District of Columbia, and I believe a representative also of the National Consumers' League, who could be called on if it was thought advisable.

I want to say at this time that we are not at all impressed with the idea that the so-called dissolution or consent decree removes the need for legislation. I agree very thoroughly with the ideas that have been advanced here by previous witnesses that we do not want to build up this country in an economic or political way by consent decrees. I can not help but have the impression from attending these hearings during the last two or three days that the representatives of the packers here are attempting in substance to deny or to create an impression of denial of all the charges which, in substance, I believe they must have agreed to in entering into the compromise or submitting to the decision of the Attorney General. It seems to me that they must have admitted in substance the charges and the facts that have been submitted by the Federal Trade Commission. Now, if that is the case, I submit in behalf of the farmers whom I represent that it will not create the right impression on agriculture. Our presence here in Washington and maintaining of headquarters is due in a large measure to the fact that the farmers of this country are absolutely impressed with the necessity of having down here where legislation is enacted people to represent them in order to get their viewpoint before the country, not only before the Congress but to get it before the country generally.

We are trying very earnestly to inform city people and the city press of the true condition of agriculture, of the hardships that the farmers have had to undergo the last few years during the war and since, and we are trying to do everything we can to increase production. Right now the acreage of wheat has been very materially reduced, not by any concert of action on the part of the producers, but due to a realization by the individual farmer that he can not con-

tinue to produce in the measure that he has produced in the past owing to labor difficulties and other adverse conditions.

Now, then, this feeling among the farmers generally, as I understand it, is due in part to the knowledge which they have that there are powerful forces in this country which have, through a concentration of wealth, gained influence until they have become almost a third arm of the Government, or are likely to become so. The farmers have that thought and it is not going to create the right kind of impression, as I understand it, to allow this dissolution or consent decree to take the place of legislation which they have been asking for.

Mr. Chairman and gentlemen of the committee, I want to show you the continuity of the farmers' demand for an investigation of the meat-packing industry so that you will see that it is not a new thing with us; that we for a number of years have been deeply dissatisfied with the methods practiced by the packers. I hold in my hand a volume entitled "Marketing and Farm Credits," published in 1916 by the national conference on marketing and farm credits, which held its annual meeting in Chicago from December 4 to December 9, 1916.

This organization is one of the member organizations of the National Board of Farm Organizations for whom I appear to-day.

Invitations were sent out by the general committee of this conference to the representatives of the American National Live Stock Association to attend the meeting and take part and present their position with reference to the packing industry. The marketing committee, which you have heard about, had already been provided for by the live-stock producers. Among those who came and took part in this conference we find the names of: E. L. Burke, Omaha, Neb.; Edward C. Lasater, Talfurrias, Tex.; T. W. Tomlinson, secretary, American National Live Stock Association, Denver, Colo.; Dwight B. Heard, Phoenix, Ariz., who, I believe, was the president at that time of the association; A. E. de Ricqles, Denver, Colo.; Senator J. B. Kendrick, Cheyenne, Wyo.

The members of the committee which had charge of this conference and other conferences in years previous were, among others, as follows: Frank L. McVey, now president of the University of Kentucky; Charles McCarthy, Legislative Reference Library, Madison, Wis.; M. R. Myers, editor, American Cooperative Journal, Chicago, Ill.; Charles W. Holman, secretary, the National Conference on Marketing and Farm Credits, Madison, Wis.; Charles A. Lyman, general organizer, the National Agricultural Organization Society, Madison, Wis.; Clifford Pinchot, Philadelphia; Arthur Capper, then governor of the State of Kansas; L. D. H. Weld, Professor of Business Administration, Yale University, New Haven, Conn.; Charles S. Barrett, president, the Farmers' Educational and Cooperative Union of America, Union City, Ga.—that organization is generally referred to as the National Farmers' Union; Lou D. Sweet, Denver; H. J. Waters, president, Kansas State Agricultural College, Manhattan, Kans.; E. T. Meredith, publisher Successful Farming, Des Moines, Iowa; Henry C. Wallace, editor, Wallace's Farmer, Des Moines, Iowa.

Of that group Charles McCarthy, Charles W. Holman, Charles A. Lyman, Gifford Pinchot, Charles S. Barrett, and Henry C. Wallace are at the present time members of the National Board of Farm Organizations, which I am representing to-day.

Mr. ANDERSON. You mentioned the name of Prof. L. D. H. Weld, I think. Do I understand that at one time he was in favor of legislation of this kind?

Mr. LYMAN. I merely gave the names of some of the members of the general committee which promoted the conferences at which the representatives of the live-stock producers appeared.

Mr. LASATER. Might I ask, were not the packers invited to that conference?

Mr. LYMAN. Yes; I distinctly recall the fact that invitations were extended to the packers.

Mr. LASATER. Did they appear and take part in the conference?

Mr. LYMAN. They did not. My recollection is that the newspapers stated that Mr. Arthur Meeker attended the hearings, sitting in the audience. I can not vouch for that as I am not personally acquainted with the gentleman.

The CHAIRMAN. You may continue your statement.

Mr. LYMAN. At this conference, attended by in the neighborhood of 2,000 delegates, from at least 44 States—the list is given in this volume—a resolution was adopted with reference to the desirability of an investigation of the meat-packing industry:

RESOLUTION ON MARKETING.

We earnestly urge upon Congress the imperative need of a prompt and thorough investigation by the Federal Trade Commission assisted by the United States Department of Agriculture of:

The marketing of live stock and the meat-packing industries in this and other countries. We urge that this investigation be followed by a report with constructive recommendations for the improvement of the conditions and methods under which live stock is marketed, and the products thereof manufactured, distributed, and sold.

ADEQUATE APPROPRIATION AND AUTHORITY.

We urge upon Congress the making of an adequate appropriation and the giving of adequate authority to the Federal Trade Commission to enable it to cover all important phases of the problem, including the experiences of other countries with municipal abattoirs and cooperatively-owned packing plants, all to the end that a free and uncontrolled market may be assured, that any existing abuses may be corrected, that present wastes may be eliminated, and that new methods may be adopted.

We further urge that the fullest publicity be given to all facts affecting the prices of live stock received by the producer and the cost of meat products paid by the consumer.

That was the resolution adopted at this national conference on marketing and farm credits, held at Chicago in December, 1916. This volume gives the position taken by the representatives of the American National Live Stock Industry, and everyone whose name I have mentioned in connection with that organization appeared in favor of an investigation by the Federal Trade Commission, and it was largely in response to the work which they had done through their marketing committee and mobilizing sentiment and data in regard to the meat-packing industry that the conference went on record for the investigation.

I notice on page 232 of this book that Mr. de Ricqles, who I believe at that time was president of the American Cattle Loan Co., and I believe is still its president, refers to the hesitancy which producers have in criticizing the packers, and I would like to read two of three lines from his statement:

Before going further I want to mention the fact that in this business it is embarrassing for the shipper of cattle to market to criticise the methods of

those who buy his product. Many of the patrons of the market are afraid they will be discriminated against, and they have hesitated to present their grievances. This is one of the features that has made it difficult to get before the principals the actual defaults and mistakes that are made.

His statement should be interesting to the committee in view of the questions which were asked this afternoon as to whether or not the shipper was embarrassed by the cattle loan companies, because this man is an official of one of the important loan companies. I do not mean to indicate by that that it is a loan company controlled by the packers. As to that I do not know.

Now, gentlemen of the committee, following the action taken at the Chicago conference I know and you will find that farm organizations generally began to take action, to pass resolutions in favor of an investigation, and to express their views to the effect that the packing industry was a menace to the country. I know that the American Society of Equity went on record within a day or two of the action taken by this group. You will find that from that time on until the present day what I term the bona fide farm organizations of the country that have been concerning themselves with economic problems have gone on record pretty generally in support of the investigation by the Federal Trade Commission and in favor of adequate legislation to control the packers.

The action that has been taken by the National Board of Farm Organizations will be of interest to you at this time: In the first place, I might say that it seems to me a good deal hinges on the work which was done by the Federal Trade Commission, and I want to say that it is the opinion of our board that the Federal Trade Commission has done a good piece of work. I have a resolution with reference to the Federal Trade Commission adopted by the directors of the general board last Saturday, February 21:

We desire to express our hearty approval of the splendid services to the Nation now being given by the Federal Trade Commission. We are confident that, under the wise and fearless direction of its chairman, Victor Murdock, the investigation it is conducting and the rulings and agreements among business interests which result from its work are in the best interests of the general public. We urge the commission to continue its endeavors and to probe deeper into the structure of American business and to give its findings the widest possible publicity. Especially do we urge a probe of the known discrimination against farmers' organizations that desire to have dealers' privileges in the purchase and sale of agricultural requirements and farm products.

Mr. HEFLIN. What is the date of that resolution?

Mr. LYMAN. Saturday, February 21, 1920.

Mr. HEFLIN. All right.

Mr. LYMAN. That shows what the attitude of the farmers is. Mr. Charles S. Barrett, whom you know, was present and presided at that meeting. He is the president of the National Farmers' Union. The farmers have no fear that these investigations are going to injure the country; we have no fear of any such thing as that. We believe that it is necessary for the Federal Trade Commission or some other body similarly clothed with authority to tell the people of this country what business is doing, to analyze the situation for us.

Now, gentlemen of the committee, I feel that a mistake is being made which is going to hurt this country in the long run from the sort of publicity which I mentioned at the beginning of my statement. It does not reflect the sentiment of the great mass of the farmers. I think I know that men were brought down here last

fall and winter to testify against this proposed legislation who hold very little in common with the average farmer of this country. We have different kinds of farmers; we have men who own farms but whose interests are far greater in some other lines, and those are not the men that the farmers are influenced by very much. And I think it is unfortunate that the packers have adopted certain methods in an apparent attempt to influence the farmer. I hold in my hand a telegram addressed to a man engaged in business at Louisville, Ky., who has taken the lead in the fight to organize the milk producers supplying Covington and Cincinnati with whole milk. This telegram reads as follows:

LOUISVILLE, KY.,
September 9, 1919—3.57 a. m.

HARRY HARTKE,
Acme Veneer Lumber Co., Cincinnati, Ohio:

Directors and officers of Kentucky Pure-Bred Live Stock Association invited to meet at dinner given by Armour's Farm Bureau at Steelbach Hotel Wednesday night, September 10. Automobiles to hotel will leave fairgrounds 7 o'clock. Let us have your acceptance quick.

L. B. SHROPSHIRE.

I would not have the committee confuse the term "Armour's Farm Bureau" with other farm bureaus which are being organized and are in existence in many parts of the country, and which have the hearty support of both State and National Government authorities.

The resolutions our board has adopted with reference to the meat-packing industry are as follows:

RESOLUTIONS ADOPTED BY THE NATIONAL BOARD OF FARM ORGANIZATIONS, FEBRUARY 11–12, 1919, AT THE ANNUAL CONFERENCE, HELD IN WASHINGTON, ATTENDED BY ABOUT 200 DELEGATES FROM ABOUT 40 STATES.

MEAT-PACKING INDUSTRY.

The thorough investigation of the meat-packing industry made by the Federal Trade Commission and the testimony brought out at the pending hearings on legislation to control the meat-packing industry fully confirm the findings and recommendations of the Federal Trade Commission.

Control or ownership by the big packers of rolling stock, stockyards, refrigerator cars, cold-storage plants, news agencies, banks, live-stock loan companies, etc., have enabled them to stifle competition, manipulate prices, coerce carriers, impoverish, intimidate, and browbeat the producers of live stock, and so to obtain control of this basic industry, and through the profits thereof to invade not only allied but utterly unrelated industries and to threaten world domination of the manufacture of foods. We therefore heartily indorse the four recommendations of the Federal Trade Commission to deal with the meat-packing industry, and indorse legislation making those recommendations the permanent policy of the country, and pledge our continuous and unremitting effort to secure such legislation.

The next resolution adopted at the semi-annual conference of the National Board of Farm Organizations, held at Washington, September 16–17, 1919, is as follows:

APPROPRIATE LEGISLATION TO CONTROL PACKERS URGED BY CONFERENCE.

Whereas the report of the Federal Trade Commission, as well as the evidence thus far taken by the Committee of Agriculture of the Senate, discloses that the packers have acquired such a monopoly of the processing and distributing of foods and are exercising such commanding influence in the realm of finance that they have become a public menace; Be it

Resolved, That we voice the conviction that by appropriate legislation they should be so supervised and regulated as to remove the undue control that they are acquiring upon producers and consumers alike.

Now, gentlemen of the committee, have you any questions?

Mr. HEFLIN. Do you know what the provisions are in the settlement effected by Attorney General Palmer with the packers?

Mr. LYMAN. Mr. Heflin, I attended that hearing, and I heard the Attorney General's statement. I know about what almost everybody else knows and that is all. I have the distinct impression that the Attorney General said he had his choice between criminally prosecuting and working the thing out in the way that he has worked it out. He used his own judgment. Now, it is the judgment of a great many people that, while it may be a good way temporarily in lieu of knowledge that there will be legislation enacted, yet that in the long run it is not the way to handle questions of this sort; the people are not going to be satisfied, as I view it, with the handling of a great question which, as I have shown here, has been deeply troubling the farmers for many years.

Mr. HEFLIN. You think, then, that it will require permanent legislation to reach and correct the evils complained of?

Mr. LYMAN. I certainly do.

Mr. HEFLIN. To safeguard the interests of the public?

Mr. LYMAN. Absolutely. As I understand it, the Attorney General or the Department of Justice or the courts will have no funds to enforce this decree. And there is nowhere that farmers or representatives of farm organizations can go to make complaints in a reasonably easy manner. But under the plan that has been advanced in these bills they can, through their representatives, make their complaints and in some way get relief.

Mr. HEFLIN. You understood the provisions of the first Kenyon bill that was presented in the Senate, did you not?

Mr. LYMAN. I think so.

Mr. HEFLIN. Did you favor the Kenyon bill?

Mr. LYMAN. Generally speaking, I think it was a very good bill; in fact, I will say that I am disappointed that the substitute has been reported out from the Senate.

Mr. HEFLIN. Instead of the Kenyon bill?

Mr. LYMAN. Yes; I will say that I would like to see more teeth put into the bill which you are now considering. I am for this bill in a general way, but I do not believe anybody feels that it is the last word on the subject.

Mr. HEFLIN. The bill now pending, or the proposed measure, I believe, is called the Anderson-Gronna bill, is it not?

Mr. LYMAN. I understand so.

Mr. HEFLIN. Do you think the provisions in that bill are all right?

Mr. LYMAN. As far as they go; yes.

Mr. HEFLIN. Do they go far enough?

Mr. LYMAN. I do not think so.

Mr. HEFLIN. Have you made any suggestions——

Mr. TINCHER (interposing). I would like to inquire in view of the question asked by the gentleman from Alabama (Mr. Heflin) if any such bill as he speaks of has been introduced. Do you know, Mr. Anderson?

Mr. ANDERSON. I do not know of any such bill.

Mr. TINCHER. I would like to see it.

Mr. HEFLIN. Well, I will put Mr. Anderson's name first, and call it the Anderson-Gronna measure.

Mr. ANDERSON. I do not see that that helps it any. I have never heard of that bill.

Mr. TINCHER. I had never heard of it and wanted to know what the gentleman was referring to. It ought to be a good bill anyhow, with such names on it.

Mr. ANDERSON. I want to say that I have troubles enough advocating the bills I introduce without having any wished on me.

Mr. HEFLIN. All right, I will take the burden off of you, is that is so.

I will ask you, Mr. Lyman, if you conferred with Senator Gronna or with Mr. Anderson making suggestions as to what you thought ought to be in the bill?

Mr. LYMAN. I have had a number of talks with Senator Gronna on this question, and we have been in touch with Mr. Anderson. Mr. Anderson appeared at our conference last week and gave an address on the whole question.

Mr. HEFLIN. You suggested to Senator Gronna just what you thought was necessary in order to reach and correct the evils complained of, did you?

Mr. LYMAN. Only in a general way. It is a difficult question, Mr. Heflin.

Mr. HEFLIN. Yes; I know it is. Have you talked with the Attorney General about this proposition?

Mr. LYMAN. I have not, but I understand other members of our organization have.

Mr. HEFLIN. The settlement that he effected has not been printed in full or given to the public, has it?

Mr. LYMAN. Only an abstract. The only thing I have seen is what has been in the press and what took place before the Senate Committee on Agriculture and Forestry.

Mr. HEFLIN. You could not say, then, whether legislation based on the findings of the Attorney General would meet the evil or not?

Mr. LYMAN. Well, I think it would be a good starting point to make sure of all the ground gained by the court decree. That is a good start. But that ought to be followed by legislation, in my judgment.

Now, then, gentlemen of the committee, the question comes up as to whether or not they are to continue in the handling of butter and cheese and poultry and eggs. It is very doubtful whether they ought to be allowed to do that; in fact, I am strongly opposed to it. I have grown up in the State of Wisconsin, which is a great dairy State, and I know something about the packer influence on the dairy industry. I took a hand in a small way in helping to organize what was first called the Sheboygan Cheese Producers' Federation, now called the Wisconsin Cheese Producers' Federation. Congressman Voigt knows about that organization. The packer control was and is a very grave menace. There are men who could be brought here as witnesses before this hearing is over who could give their judgment on that matter. There are men here to-day whose testimony would be valuable. I do not feel myself competent to judge as to the best way to protect the dairy interests. I do feel, however, that whenever there are producers' groups that have their own cooperative creameries, cheese factories, poultry and egg societies, etc., that they should have the opportunity to meet the situation, an opportunity equal to that which the packers have for refrigeration, storage, and for getting their products to the market, and this applies to private

manufacturers as well. I believe if you leave out of your legislation means of that kind that there will be discriminations practiced, as they are being practiced at the present time, against the farmers and farmers' associations throughout the country that are attempting to do something for themselves.

Mr. HEFLIN. We want to break up, and must break up, those discriminations. What I was getting at was, if you had pointed out specifically the remedy that would remove the evil complained of.

Mr. LYMAN. Our board has placed me and several others who are in the city, members of our board, at the service of the producers and those who are handling this case for the producers in favor of this legislation, and we will be very glad to join with them at any time outside of these hearings to see if we can agree on some more concrete recommendations.

I want to say this, Mr. Chairman, before I close, that the farmers, as I view it, do not object to large business. The fact that meat packers have large capital and are handling hundreds of millions of dollars' worth of business annually is in itself not objectionable. We know that in England, for instance, the consumers there have a very large business undertaking. We believe that the Cooperative Wholesale Society of England, which has an annual turnover of about a billion a year, is a very good means, indeed, of helping on those problems of the high cost of living. It is not the fact that the packers are large; it is the fact that they are, as we view it, undemocratically organized and controlled and have acquired and exercised this control against the public interest. That is one reason that we object and want this legislation.

Mr. TINCHER. Mr. Heflin asked if you thought the law was sufficient, and I believe you said there should be some new legislation?

Mr. LYMAN. Yes.

Mr. TINCHER. Now, the laws you want Congress to pass, you want enforced, do you not?

Mr. LYMAN. Absolutely.

Mr. TINCHER. And you do not want us to pass any laws which you do not want absolutely enforced?

Mr. LYMAN. That is right.

Mr. TINCHER. As I understood you, Mr. Lyman, in reply to the positive question Mr. Heflin asked you, you stated that you heard the Attorney General tell the Committee on Agriculture of the Senate that he had the choice of enforcing the criminal law or taking a consent decree. And I understand the purport of Mr. Heflin's question is whether we should pass a law now or be governed by the consent decree.

Mr. HEFLIN. Or whether this legislation should be based on that decreed. whatever it is, for the settlement of this trouble.

Mr. TINCHER. You, as a representative of 2,000,000 farmers of the United States, approved of the Atorney General taking a consent decree instead of enforcing the existing laws with reference to the packers or anyone else?

Mr. LYMAN. I think I covered that. If the Attorney General had reason to believe that owing to a packer propaganda and a change of mind on the part of the producers and consumers there might not be a probability of enacting legislation, I would say that he acted properly in gaining what he has. I think that some good has come out of it, because in spite of the impression that I have gained from

listening to a general denial by these representatives of the packers of the facts presented by the Federal Trade Commission, nevertheless, I can not help but feel that before going into this consent decree of the Attorney General they must have in substance admitted practically all of what is charged against them.

But I am not satisfied that it is the way to handle the thing ultimately or permanently. It is up to this committee, it seems to me, to use its own judgment in respect to what should be done.

Mr. TINCHER. We can not enforce laws. Here was a distinguished gathering in Chicago made up of men whom we all know, and they requested an investigation of the Federal Trade Commission, in making which this Government sent over a half million dollars to find out whether the packers were violating certain laws. The Federal Trade Commission has made the investigation and have made a report, which report states that they are violating all of them and more, too—all the written laws and some unwritten laws; that they have done everything that could possibly be done contrary to the rights of their fellow citizens; they have said that in substance in writing.

Now, I understand that the Attorney General felt that the thing to do with them for that was to ake a consen decree. If we are going to pass a law, had we ought not to pass it with the understanding that we want it enforced as other laws are enforced, and not by a consent decree?

Mr. LYMAN. There is no question about that.

Mr. TINCHER. Here is what I want to know: Whether you are willing to go on record as representatives of the farmers? Have the farmers' organization passed any resolutions commending the act of the Attorney General in taking a consent decree?

Mr. LYMAN. No, sir.

Mr. TINCHER. Have they passed any resolutions commending the Department of Justice for compromising criminal actions that you say you heard him tell the committee that he had against the packers in any way, shape, or form——

Mr. HEFLIN (interposing). If I understand Mr. Lyman, the Attorney General said, "I can proceed against you criminally or settle this matter by a consent decree."

Mr. TINCHER. I am assuming that he would not proceed against them criminally unless they had violated the criminal law.

Mr. LYMAN. Mr. Chairman, may I ask that the statement be inserted as to what the Attorney General said? It is printed in the hearings of the Senate Committee on Agriculture.

Mr. TINCHER. Yes.

Mr. LYMAN. In substance, I think I said what the Attorney General said.

Mr. ANDERSON. This is what he said [reading]:

An indictment, even if it was followed by a conviction, and even if that were followed by putting somebody in jail, would not itself have brought any relief directly to the situation which had been the ground for so many complaints.

A bill in equity under the Sherman antitrust law, bitterly contested, might not have achieved some of the things that I felt and thought everybody else who had given this question any study felt ought to be accomplished if we were going to have any real results from some disintegration of this business. Therefore it seems to me that it was perfectly proper, if I could, to require in the circumstances that certain things be done which under other circumstances we might not be able to accomplish, and if I were able to get that much I would

do more for my client, the Government of the United States and the people, than if I blazed away in an adverse proceeding, either in criminal or civil court.

That is found on page 38, part 4, of the Senate Committee on Agriculture hearings. He may have said something else, but I noticed that as I went along.

Mr. HEFLIN. So you thought that the Attorney General had accomplished a great deal of good by this, so far as he had gone?

Mr. LYMAN. No, sir; I did not. I thought it was unfortunate. But I have no knowledge of the information in the hands of the Attorney General upon which to base my judgment, and I say that if he believed that there was danger that this Congress would not enact legislation I believe he did the right thing, and I would have done the same thing if I had been in his position, although I feel sure that I should have started criminal proceedings instead of securing a consent decree.

Assuming, however, that this Congress and this committee were of a mind to report out a bill such as the farmers are asking for, I believe that the consent decree has been unfortunate.

Mr. HEFLIN. Do you not think that if a man is accused of doing a thing that is against the public interest, and a representative of the Department of Justice goes out and talks to that man about it, tells him what the complaint is, and the man says: "I have been indulging in that practice, but I am willing to sign a statement that I will abandon that practice" that good has been accomplished?

Mr. LYMAN. I think that the good will have been accomplished if you take that decree as meaning that the packers have admitted the facts presented by the Federal Trade Commission and then go ahead and report out an effective bill.

Mr. HEFLIN. I say, on top of that, if these facts have been ascertained—you say that this is a temporary settlement.

Mr. LYMAN. I did not mean to say that it was "a temporary settlement." I believe it will prove to be an ineffective settlement.

Mr. HEFLIN. Now, then, if these facts have been obtained, you say we ought to have legislation based on them to prevent these things happening in the future?

Mr. LYMAN. Absolutely, with such other matters as you may think important to add to that bill, for instance, in regard to butter, eggs, and cheese.

Mr. HEFLIN. You and I are in hearty accord in the matter of preventing these evil practices in the future.

Mr. VOIGT. Mr. Lyman, what percentage of the farm organizations are represented on your board?

Mr. LYMAN. I should say that of the organization farmers, in the sense of organization for the purpose of handling economic questions, that we have 50 per cent or more.

Mr. VOIGT. Is the Equity Society a member of your board?

Mr. LYMAN. The American Society of Equity is not a member of our board. I will say this, however, that they are working very closely with us, and are using our office for much of their work here at Washington. They have recently sent representatives here and have wired us to arrange for hearings before the Department of Agriculture and other departments of the Government.

We have two other equity organizations, national in scope, which are members of the board.

Mr. VOIGT. Your board is of the opinion that the recommendations of the Federal Trade Commission should be enacted into law?

Mr. LYMAN. That might be a little sweeping for me to say that. We are impressed with the work of the Federal Trade Commission and, generally speaking, yes, we are in favor of the recommendations of the Federal Trade Commission. Of course, as Mr. Colver explained here, the Federal Trade Commission made certain recommendations a year or two ago assuming Government operation of the railroads. In so far as that situation is altered, we have got to change in our attitude toward these recommendations.

Mr. VOIGT. Do you mean that you are not in harmony with him when he recommended that these activities, like the stockyards and the ownership of refrigerator cars, should be taken over by the Government?

Mr. LYMAN. I believe that question has been disposed of. We are in harmony with him, I take it, that these are matters to be handled by the transportation companies, whether under Government ownership or private ownership.

Mr. VOIGT. Generally speaking, your board is of the opinion that the packers should be divorced from all other lines of business?

Mr. LYMAN. Yes; that is my understanding.

Mr. VOIGT. You do not approve of their being in the cheese, poultry, butter, and egg business?

Mr. LYMAN. I do not. I am frank to say that I do not know just how it ought to be done. One thing is certain that the farm organizations, the cooperative cheese factories and creameries and poultry and egg societies, and the private interests as well should have an opportunity to get their products to the market with adequate refrigeration, and so on.

Now, I think that they have not had that opportunity—that is, an equal and fair opportunity—as the packers have, and this fact should be considered in legislation.

Mr. VOIGT. You think, at any rate, that the packers should not be allowed to own any refrigerator cars?

Mr. LYMAN. Well, that would probably be the easiest solution. It might not be the only solution. There should be plenty of refrigeration, and refrigerator cars should be furnished by the railroads.

Mr. VOIGT. From your standpoint, is it not the only solution that the refrigerator cars should be furnished like all other railroad cars are furnished—open to everybody on equal terms?

Mr. LYMAN. Yes, sir; I think that is the only solution of it.

Mr. RAINEY. I want to ask you a question or two: You spoke of advertising when you started, and you read an article from one of the Washington papers. Do you not believe that the packers have a right to advertise if they desire? Is there any objection to their advertising?

Mr. LYMAN. I think everyone has a right to advertise truthfully, but I do not think that their advertisements gave a fair or faithful portrayal of the situation; I think the contrary is true.

Mr. RAINEY. There is an organization known as the American Live Stock Association. Is that association connected with the National Board of Farm Organizations?

Mr. LYMAN. No, sir.

Mr. RAINEY. Are any of the officers of the American Live Stock Association officers of the National Board of Farm Organizations?

Mr. LYMAN. I could not say as to that. It is possible that Henry C. Wallace, of Des Moines, Iowa, is an official in the American National Live Stock Association. Mr. Lasater could tell you as to that.

Mr. RAINEY. I am going to read from Dr. J. M. Wilson's statement before the Senate committee's investigation. Dr. Wilson is of McKinley, Wyo.

Mr. TINCHER. Who is Dr. Wilson, Mr. Rainey; do you know?

Mr. RAINEY. Yes; I am going to tell you. He is a producer.

Mr. TINCHER. Is he related in any way to the President?

Mr. RAINEY. I do not know that he enjoys that distinction. However, they say he is a great man.

Dr. Wilson is the general manager of the Platte Valley Sheep Co., of McKinley, Wyo. He is a physician and surgeon, having graduated in Philadelphia, but he has not practiced for some years. He told the committee that his principal business is stock raising. Senator Gronna says [reading]:

I know that you have had a good deal of experience in this business, and the committee will, of course, be very glad to have your testimony. Before you begin, Dr. Wilson, I would like to say that there is one thing the chair would like very much to have you touch upon, or go into as fully as you may like, and that is the licensing feature of the proposed bill, and how, in your opinion would affect the stock raising industry.

He said his general objection to the bill was that very feature. I was called from the room when you were talking about some banquet or dinner—the packers invited some farmers to dine with them. I did not hear that statement. Did you object to that?

Mr. LYMAN. I objected to it; I thought it was a mistake, in view of the known feeling of the great mass of organized farmers—organized in a sense that they are interested in solving their economic problems—to attempt in that manner to influence farmer thought—yes; I think it is a mistake.

Mr. RAINEY. Do you know of any get-together dinner or gathering that was held here in Washington a week or so ago by the farmers or farmers' organizations?

Mr. LYMAN. Yes, sir.

Mr. RAINEY. They invited all Members of Congress and the Senate, or at least the members of this committee of the House and Senate.

Mr. LYMAN. Yes, sir; I sent some invitations out myself.

Mr. RAINEY. Would that in any way influence opinion or legislation, do you think, or was there anything objectionable to that, as far as the farmer organizations were concerned?

Mr. LYMAN. I think not, because the farmers invariably are willing to lay their cards on the table.

We have been down here in Washington now for about three years, and we came here, Mr. Rainey, because the packers and other organizations of that sort were here first; because two great bodies were already organized to present their viewpoint to the country; that is one chief reason we are down here. The American Federation of Labor was here, the Chamber of Commerce of the United States was here; the packers were here; all of them are still here. The farmers are here, and they are not ashamed of it, and they have laid their cards on the table, and it is generally known why they are here, and what they want. I think that the Members of Congress are the

ones to ask as to whether it is likely to influence them or not, if they choose to come to the headquarters which we own here in the city.

Mr. RAINEY. I have no objections. In fact, I would encourage organizations which are interested in the development of these big problems to come here and to keep in touch with legislation. We had a gentleman here the other day representing some farm organizations who felt that the Government was against the farmer, and some of the members here pointed out—my good friend Tincher, of Kansas—that when anything developed in the House where the farmers or agricultural interests of the country were at stake, that the Congress passed over the veto of the President by two-thirds vote legislation that was beneficial to the farmer. I have no quarrel with them, but would accord the same privilege to the packer or anyone else.

But when you infer that because the packers invited farmers to a dinner or banquet that undue influence might be used, I was wondering whether you should not apply the same line of reasoning to this get-together dinner given by the representatives of farmers' organizations where Members of Congress who are to enact this legislation were invited.

Mr. LYMAN. Mr. Rainey, I am positive that undue influence has been used by the packers, and that that is one way they have been using it.

Mr. RAINEY. You have made a general statement. Cite specific instances, or as many specific instances as you can, because the members of this committee want those instances, and we also desire to give the other side an opportunity to controvert your statement.

Mr. LYMAN. I happen to know that people close to me have been influenced in some way and I can not help feeling it is due to packer propaganda.

Mr. WILSON. Mr. Rainey, might I make a suggestion here? Do you not think anyone is justified now in accepting an invitation to dine free during these high prices?

Mr. RAINEY. My only regret, Congressman Wilson, was that a previous appointment made it impossible for me to be with the farmers that evening.

Mr. WILSON. I did not get an invitation, or I should have gone.

Mr. RAINEY. I want to state now to the representative of these farmer organizations, as I have stated here before, I come from the city of Chicago, one of the most congested districts in the country, and I am a member of this committee, and no member of this committee from the farming districts has voted more consistently for appropriations or for legislation beneficial to the farmer than I. I just wanted to clear that up.

Mr. LYMAN. I appreciate that, Mr. Rainey.

Mr. RAINEY. I think I have done my duty in that direction.

Mr. TINCHER. I do not want to detract from your friendship for the farmers, but I wondered what particular vote of yours stood out alone as showing your friendship particularly. What vote?

Mr. RAINEY. I would ask you to consult the Congressional Record.

Mr. TINCHER. How about the daylight savings? [Laughter.]

Mr. RAINEY. I voted against daylight savings. I did not think that was beneficial to the farmer; I thought it injurious to him, and many farmers so testified.

Mr. TINCHER. You differed with the farmers on that?

Mr. RAINEY. Yes, sir; with some farmers.

Mr. TINCHER. I did not know you had ever disagreed with the farmers.

Mr. RAINEY. I did in that instance with some. It would be rather difficult to point out an occasion that you differed with them.

We will come back to Dr. Wilson.

Mr. TINCHER. I do not think you will find any instances.

Mr. RAINEY. The statement, which was made a part of Dr. Wilson's testimony, follows [reading]:

In my testimony on September 8 I referred to the American National Live Stock Association—

Oh, let me ask you there, do the members of your organization pay dues?

Mr. LYMAN. Yes. The member organizations pay their dues, and when our treasury is low sometimes we go out to their meetings. I went out the other day to the Kansas union meeting and made a report of what we had done in the past year. They gave us $250 last year, and the unanimous opinion there of about a thousand delegates was that they should give us $1,000 this year. That is from just 1 of 25 farmer union organizations. Of course, it is one of the large State farmers' unions. They unanimously instructed their board of directors to send on a check of $1,000 to help in the work.

Mr. WILSON. Is it not pretty hard work to collect money from those Kansas farmers?

Mr. LYMAN. I can only say good things of the farmers of Kansas. Of course, we could use a lot more money. We would like to have a fund of about $1,000,000 a month, as the packers seem to have for advertising alone. We think we could use it to advantage.

Mr. RAINEY. And these funds you collect are used by your organization to further legislation of this kind?

Mr. LYMAN. The question of legislation is one phase. We are interested in many matters. Washington is the National Capital; it is the logical place for headquarters for these farm organizations, many of which are engaged in business activities. There are questions of freight rates, alleged discriminations and actual discriminations. The gathering of information so that the question of legislation and lawmaking may be considered intelligently is one of many phases of our work.

Mr. RAINEY. These other things enter into your work?

Mr. LYMAN. Our work covered all of these phases.

Mr. RAINEY. There is nothing objectionable or reprehensible about that?

Mr. LYMAN. No; we are proud of it.

Mr. RAINEY. To help the farmer make money.

Mr. LYMAN. To help the farmer make money; to help the farmer save money; to help give him an opportunity for redress; to help the whole Nation, Mr. Rainey; because city people do not realize that without farmers and agriculture a prosperous condition of the Nation can not exist, and that we can not have any prosperous and enduring civilization anywhere.

We have been trying to do that; we are going to try to impress that viewpoint, if we can, on the people everywhere.

Mr. RAINEY. Following out your line of reasoning, is there any objection, then, for other industries who are trying to develop to get cheap rates, as you speak of, and to make money—is there any objec-

tion to their having an association down here, or representatives down here?

Mr. LYMAN. I have no objection to that.

Mr. RAINEY. Does your National Board of Farm Organizations believe in increased production?

Mr. LYMAN. We believe that we should have the opportunity to increase production very largely. I have with me here a statement submitted by the employers' group at the industrial conference in Washington this fall—that is, the three farmer representatives who were placed in the employers' group at the industrial conference. These three men were Charles S. Barrett, chairman of our general board; Mr. J. M. Titmore, president of the American Society of Equity at that time; and Mr. T. C. Atkeson, the Washington representative of the National Grange. This statement was sent out to the farm press and elsewhere, and it received a great deal of favorable comment. The position which they took with reference to production, or one position, is indicated, as follows:

The demand for farm products should be scientifically satisfied. Overproduction as well as underproduction dislocates industrial and economic balances, and in the end results in economic waste. In 1910 we produced over 11,000,000 bales of cotton. In 1911 we produced 15,000,000 bales, and yet received $60,000,000 less for the 1911 crop. Society had the benefit of the 4,000,000 bales of cotton, but the farmer got $60,000,000 less than nothing for them. In 1915 we produced 1,025,000,000 bushels of wheat and received $942,000,000 for it. In 1916 we produced 640,000,000 bushels and received $1,020,000,000 for it. Society had the benefit of 385,000,000 bushels of wheat, but the farmer received $78,000,000 less than nothing for them. Thus it will be seen that simply to produce will not mean prosperity. Reliable official cost of production and records are in existence proving inadequate returns to agriculture. This information should be widely circulated so that the public may know the truth. Further studies of cost of production, together with comprehensive studies of marketing, including prices actually received by the farmers, are also needed.

I recall the fact that a few years ago President Charles R. Van Hise, of the University of Wisconsin, was doing work with a southern lumbermen's association. He was a great conservationist, as you know. As I recollect it, his thought was, and the thought of that organization was, there was great economic waste in the lumber industry by simply going out without a knowledge of market conditions and slashing right and left and piling up a huge output.

I do not believe there is a great industry in the country, other than farming, that does not plan and know pretty generally what demands are going to be made for its product.

The farmers have not gone on strike. No one has urged them to decrease their production. And nobody wants to urge them. They know. There is not a bona fide farmer who has worked with his two hands but knows what he is up against at the present time. The fact is that right now in the State of Kansas the farmers, not in any concerted action but as individuals, knowing each his own business, have curtailed the wheat acreage several million bushels this year. You can get all that from the Department of Agriculture. The farmers of Kansas have done it; they have got to do it until some way has been worked out, and, I hope, by their own voluntary effort through cooperative associations and federations of associations, so that they can secure the cost of production and a fair profit and thus be able to continue in the industry and business of farming.

That, in a general way, I think, will give you an idea of the position of the farmer on the question of production. You know his

record during the war time. The President has praised him; the Secretary of Agriculture has complimented him in the highest terms.

Mr. RAINEY. I read further from Dr. Wilson [reading]:

In my testimony on September 8 I referred to the American National Live Stock Association and quoted from the speeches of H. A. Jastro and E. L. Burke—

He is one of the gentlemen you spoke of a few minutes ago—

at the convention in 1914. Subsequent to that date these gentlemen with a few members of the association, evidently laboring under the misapprehension that the large packers could control the price at which the meat is sold and should therefore pay the producers' cost, plus profit, apparently conceived the idea of forcing this result by means of a governmental investigation of the packers.

I have been a member of the executive committee of this association and president of the Wyoming Wool Growers' Association for several years and did not approve of this plan, and I think that it is now due Congress, the public, and particularly the great mass of producers who are not in sympathy with this movement, as shown by the testimony before this committee, that the facts as established by the printed records of the association be laid before you.

These facts demonstrate that this small number of men are responsible for the investigation made by the Federal Trade Commission, and directed and controlled not only the investigation itself but the recommendations of the commission.

QUOTES THE RECORD.

The records will speak for themselves.

At the convention of the National Live Stock Association held in El Paso in January, 1916, a resolution was adopted creating a market committee and providing that the committee "shall have the power and be authorized to investigate the present market situation and ascertain definitely what can be done in the matter; said committee to be authorized to secure the very best legal talent that is available; also to be authorized and empowered to investigate the desirability of seeking relief from our situation through governmental and State agencies. This committee to have available sufficient funds to carry forward this undertaking; and we recommend that at this convention, by popular subscription or otherwise, a sufficient fund be raised to take care of this work; also that action be taken to divest the packers of the ownership or operation of the Union Stockyards, including terminals, exchange buildings, etc., in large market centers; also that we realize the magnitude of the undertaking upon which the producers have entered in this particular instancee, the need of a large sum of money to finance the work that will be necessary, and the sacrifices of times and money to those who will be on the committee."

As a matter of history this resolution was the starting cause of the Federal Trade Commission investigation of the packing industry, and this resolution to divest the packers of their interests in the stockyards was the origin of the recommendation finally made by the Federal Trade Commission on this subject.

The committee appointed under this resolution was composed of I. T. Pryor, of Texas; Henry A. Jastro, of California; J. B. Kendrick, of Wyoming; A. E. de Ricqles, of Colorado; and E. L. Burke, of Nebraska.

You spoke of Kendrick, de Ricqles, and Burke in that convention in Chicago in December, 1916.

Mr. LYMAN. And Mr. Lasater.

Mr. RAINEY. Mr. Lasater's name does not appear here [reading]:

After this resolution was adopted, President Heard said: "The speakers have told you that if you want to put those resolutions into force it will need a large amount of money. Now, I am requested to ask, at the close of this meeting, that if every man who is ready to cooperate with the executive committee on some organized plan for the raising the money will come up to the platform and confer with me."

H. A. Jastro said: "As to the amount of money it will require for your market committee to carry out its object, I think the matter is problematical. It may be $50,000; it is liable to be $100,000—and possibly twice as much. I fully realize that this money can not be raised here and in this hall to-day, but I want to say to you that we expect to raise as much as we possibly

can * * *. I will start this list by subscribing $1,000 for the companies I represent."

E. L. Burke, of Omaha, in addressing the convention suggested: "A thorough Government investigation of the packing business and all subsidiaries; elimination of the packers from the control of public stockyards, establishment of a market paper at Chicago owned by the producers and edited in their interests and curtailments in production."

Mr. Burke also said: "The more I study the question the clearer it occurs that this is primarily a producers' problem; and unless they take hold of it with courage and determination and give it careful study, so that they can eventually lead the way to a proper solution, it is not likely to be satisfactorily solved. With the cooperation of Government officials, a very small body of men in whom the producers have unlimited confidence and to whom they are willing to delegate great power and give it undivided moral and heavy financial support, would make the ideal medium through which the proper solution of this problem could be reached and action taken which would insure fair and equitable conditions for all."

Following this El Paso convention, the Texas stock growers, on March 1, 1916, at Amarillo, Tex., passed the following resolution:

"*Be it further resolved*, That we indorse the action of the American National Live Stock Association in convention assembled at El Paso, Tex., in January, 1916, and the resolutions adopted at that convention, and we, in convention assembled, representing approximately 1,000,000 cattle valued at $50,000,000, pledge ourselves to the payment of an assessment of 5 cents per head on all our cattle and 2½ cents per head of hogs and sheep, which fund shall be at once due and payable to the use of the market committee of the American National Live Stock Association for the prosecution of the work undertaken and the resolution passed at El Paso, Tex."

Mr. ANDERSON. Mr. Rainey, may I ask if this is to be the basis of a question? Is this a hypothetical question you are going to ask?

Mr. RAINEY. I do not want to disturb this distinguished gentleman.

Mr. ANDERSON. I do not want to disturb the "distinguished gentleman" either. But it seemed to me that was a rather long question you were reading. I was afraid the witness would not be able to follow it.

Mr. RAINEY. I did not suggest it as a question; I suggested introducing into the record at this time the statement of Dr. Wilson as he testified before the Senate committee, so that we might have it here, and I was reading when interrupted.

Mr. ANDERSON. I object to the word "testify," because what you were reading is a statement submitted subsequent to his testimony, and it was not subject to cross-examination.

Mr. RAINEY. Well, then, this statement submitted to the Senate committee; so when our committee goes into the consideration of this bill the members may have at their finger tips this information which will be of benefit to them.

Mr. ANDERSON. Of course, I have no objection to that being put in, but "testified" seemed to me——

Mr. MCLAUGHLIN of Michigan (interposing). Are you reading from the Senate hearings?

Mr. RAINEY. No; a copy.

Mr. TINCHER. I think, if it goes into the record it ought to come from the Senate hearing. I do not know what that publication is you are reading from.

Mr. RAINEY. I will verify it from the Senate hearings, if there is any doubt.

I offered no objection to the distinguished chairman or Mr. Colver reading whenever they desired.

Mr. ANDERSON. If you want to read on the witness stand, I am perfectly willing you should read anything in the world.

Mr. RAINEY. I have no desire to go on the witness stand. I was desirous this committee have before it along with other testimony that was given and statements that were inserted in the record this testimony, so that the record might be concise and both sides of the question be presented.

The reason I brought this in here was because of the suggestion offered about the expenditure of money for banquets. I desired to show that the producers, the men who are interested in this investigation, collected large amounts of money to bring about this legislation. I have attempted further to show and in my examination of Mr. Colver inquired as to why this entire subject was not investigated, not only the producer and the packers but the retailers, so that ultimately the consumer would know the facts about reducing the cost of living.

I thought it opportune at this time to get into the record this matter, and when the other side, whose time I control, are questioned you will find me very happy to let go into an examination in extenso.

Mr. TINCHER. Dr. Wilson has not changed his mind since he made that statement, has he?

Mr. RAINEY. I could not say. I do not anticipate things, Mr. Tincher.

If I may finish this, unless there is objection, I shall discontinue until some other time.

The CHAIRMAN. Would it answer your purpose to have it incorporated in the record without reading it? If so, without objection, it will be so ordered.

(The excerpt as submitted by Mr. Rainey is here printed in full, as follows:)

FIGHT STARTED ALTHOUGH PRODUCERS PROSPEROUS.

When the American National Live Stock Association met in annual convention at Cheyenne, Wyo., in January, 1917, the president of the association, Mr. Dwight B. Heard, in his annual address, said:

"While general conditions of the live-stock business throughout the Nation have been satisfactory during the past year and prices for range cattle have been remunerative, there have been an exceptionally wide range of prices on cattle at the six principal markets. Owing to drought, many grass-fed cattle were sold at bargain prices; and owing to the high price of corn, many cattle from the corn belt were marketed before they were really finished.

"The hog market during the past year has been an unusually active one, largely caused by the abnormal European demand. Good prices have prevailed, although 11 primary points at which records of receipts have been maintained show a gain in hog receipts over 1915 of four and one half million head. The market on sheep has been good throughout the year and it is reported that the 1916 lamb crop realized more money than any crop ever dropped. One of the features of the year has been the enormous demand for breeding ewes."

You will thus see that this fight on the packers was started by a part of the producers when they themselves said that the conditions were good.

In his annual address President Heard of this association uttered a very vital though to the industry that should be repeated here:

"Cooperation is what we want in the live-stock industry to-day—just as much as we need it in every other industry in America, and in our social and political life. Cooperation in deeds, not words, which spells a just distribution of the profits of this great industry, and not cooperation which spells huge profits to one branch of the industry and actual losses or constant uncertainty to those engaged in another branch. As one of the biggest men in the packing business has recently said, however, we must recognize that the market price for cattle is determined, not by the cost to produce them, but by the supply available and by the demand for fresh meats and by-products."

But President Heard certainly hit the nail on the head when he said:

"The vital questions before this convention to-day are how we can devise more efficient and economic means for the production of live stock; how we can maintain and develop the means for transporting the live stock to market, with good service at reasonable rate; how we can improve conditions in the stockyards so that the minimum amount of waste and with the best operation in a thoroughly free and uncontrolled market this live stock may be fairly sold without annoying delays and promptly delivered to the slaughterers who pay what it is worth."

I have given you this last quotation to show how great and varied problems that the producer has, and would say that it is extremely unfortunate not only for the producer and the packer but for the country at large that the Federal Trade Commission did not thoroughly investigate all these questions along big, broad, constructive lines, so that the industry as a whole could have received some actual benefit in a constructive way from the investigation, and so that you would now be in a position to act intelligently on this great question.

In referring to the market committee the president of the association said:

"At the time this committee was appointed it was realized that without the assurance of ample funds to back its investigation it could accomplish but little, and an inspiring demonstration of the way in which the average stockman is always prepared to back his words by deeds, was given at the close of our convention at El Paso, when within 30 minutes a guaranty fund of $54,000 was raised by the members of our association and placed at the disposal of the members of the Market Committee.

Later on in his address the president said:

"It would be necessary to secure an investigation through some Federal tribunal which would have the fullest authority to subpœna witnesses, take testimony under oath, examine books, and, in cooperation with the very effective office of markets of the Department of Agriculture, go into this whole live-stock marketing thoroughly. They were also convinced that to secure favorable congressional action along these lines, they should be willing that the entire live-stock industry be subject to inspection and investigation, as well as the slaughtering branch of it."

You will thus see that the president of this association at the outset did not contemplate an investigation of the packers alone, but contended that the "whole live-stock marketing problem" should be thoroughly investigated, and suggested that this would be necessary in order "to secure favorable congressional action"; and yet these Kenyon and Kendrick bills are based squarely and solely on investigation of the packers alone, and it is claimed that this investigation was one-sided and unfair.

One of the most illuminating parts of the president's address at this Cheyenne convention, in speaking of the conference with the packers, is the following:

"In the discussion, which was exceedingly frank, the representatives of the Market Committee took the position that the country at large, as well as the stock producers and feeders, would not be satisfied until the marketing situation had been thoroughly investigated by some Federal tribunal with full authority; that the packers should really welcome such a thorough investigation rather than oppose it, and that we were perfectly willing that such investigation should cover all branches of the meat industry as well as that branch directly connected with marketing. The packers on their part took the position that there was no need for such investigation, and insisted that, as far as they knew, no agreements existed to interfere with the natural operation of the law of supply and demand; that they welcomed increased cooperation with the producer and the feeder, but felt they should not be singled out for personal attacks for violation of the law.

"As the result of this extended conference, a definite understanding was reached. The packers, while they did not favor the investigation withdrew their opposition, on the assurance that, while the stockmen would do everything possible to see that this investigation was thorough and effective, it would be carried out without malice or ill-will. I feel that this conference ought to bring excellent results."

The statement confirms what the packers have always said, that they would not oppose any thorough, fair, and disinterested investigation of the entire industry, and this quotation also demonstrates that in this conference the packers were assured that the investigation "would be carried on without malice or ill-will."

Now, let us see what was actually done by this market committee appointed at the El Paso convention, and again we will simply take the record made by the parties themselves. At the Cheyenne convention, E. L. Berk, on behalf of the market committee, said:

"At the outset, our first big job was to educate the various State associations, arouse their interest on the subject, and secure both their moral and financial support. We were successful in this, but it took a great deal of time and energy, traveling around the country and addressing the various State organizations. This, however, was not enough. From the start it became evident that we must greatly broaden the base of our support, in order to insure consideration at Washington. Congress would not respond to sectional demands. It has been necessary, therefore, through the year to conduct a campaign of publicity. * * * These demonstrations made by us at Chicago and elsewhere satisfied them (the packers) that we were not to be turned from our main purpose. As a result, we have met them both individually and as a committee and they have finally agreed, under certain conditions to withdraw their opposition to an investigation by the Federal Trade Commission. * * * We have been in close touch and maintained friendly relations with various Government agencies which have to do with our problems, cooperating with the Department of Agriculture."

Unfortunately, it was not stated just what conditions were understood between this committee and the packers as to his invesigation. The fact is, as I am informed, the conditions were that the entire industry was to be investigated along broad and fair lines and for constructive purposes, without singling out in advance the packers, or any one else, and charging them with having violated the law.

PLAYING FOR BIG STAKES.

Under the heading of "finances" this market committee also reported at this convention:

"We are dealing with the biggest and most complicated economic problem of our day, namely, the proper handling of the meat supplies of the Nation. We are playing for big stakes but the reward is great in proportion as the game is hard."

At this convention James Callan, of Texas, stated that his State had turned in $15,000 to this market committee; that he was then giving $1,500 more, and pledging $7,500 on behalf of the Texas association.

When you place this amount of cash in the hands of a committee that will submit a carefully written report to the effect that "we are playing for big stakes, but the reward is great in proportion as the game is hard," you can readily imagine the influence back of the propaganda that has been launched in this country against the packers during the last three years; and that report was signed by a member of this Senate committee of agriculture which is to pass upon the advisability of this legislation which provides for new corporate control in this country.

The next step in this matter was a letter from William Kent, who was a partner of E. L. Burke, of Omaha, in the cattle feeding business, to the President of the United States, practically demanding an investigation of the Federal Trade Commission; and, as a result, on thte 11th day of February, 1917, the President of the United States sent a letter to the Federal Trade Commission directing an investigation of the whole food problem, including production, and the investigation was started.

CONFERENCES WITH THE FEDERAL TRADE COMMISSION.

At the meeting of the American National Livestock Association at Salt Lake City, in January, 1918, Ike Pryor, president of the association, in his annual address said:

"After two years of constant, effective, and energetic work by the members of the market committee, I am glad to report that an investigation of the meat industry by the Federal Trade Commission has been underway for some months. * * * Your president, your secretary, Mr. Fisher, and the members of your market committee have made many trips to Washington, and held conferences with the Federal Trade Commission, rendering all possible assistance."

This investigation was directed by President Wilson to take in the entire industry, as it should, and yet here we find that this market committee and its attorney has "held conferences with the Federal Trade Commission, rendering all possible assistance." We understand that the packers maintain that they were given absolutely no opportunity for conference or assistance.

WOULD BE CRIMINAL TO STOP.

But the president of this association at this meeting went a great deal further. In part, he said:

"This investigation is now being intelligently and diligently pursued. Public hearings are being held, at which facts of vital importance are brought to light. It is highly important that the Federal Trade Commission should have the assistance and advice of our market committee and its attorney, Walter L. Fisher, during the investigation. A Government inquiry without the active cooperation of the producers, thereby showing their continual interest, can not accomplish the best results. Equally important with bringing out the facts is the report of the Federal Trade Commission including its recommendation for placing our industry on a sound economic basis.

"Only by constantly working with the commission can we hope to secure such recommendations as will adequately protect our interests. When that report is before Congress, our work will not be finished; we shall then have to devote our energies to securing legislation which will make the recommendations effective. There is, indeed, most important and strenuous work ahead, if we are not to lose the benefit of what has been done during the past two years—not to mention the money expended. It would be folly, it would almost be criminal to stop now when we have got to the point where our work is beginning to tell. We have worked two years to get where we are. Two more years, perhaps one, may put us in the clear, and we shall see the results which we have accomplished and which will be of great future help to the live-stock business. If your market committee is to do effective work in the future there must be no question about its financial support, and I heartily recommend that you respond liberally to its needs. It is extremely necessary that its plans should be carried to completion; for there is no other line of effort which will bring in greater financial returns to the members of the association."

LOOKS LIKE A CONSPIRACY.

I am not indulging in accusation or mere assertion. These men have themselves made the record, and the record reads that the Federal Trade Commission did have "the assistance and advice of our market committee and its attorney, Mr. Walter L. Fisher, during the investigation," and this, notwithstanding the fact that the producers were but one branch of the industry that was ordered to be investigated and were themselves not only escaping investigations but actively assisting to investigate another branch of the industry. It seems to me that it would only have been fair if the packers and the consumers had had the same opportunity to present their side of the question to the Federal Trade Commission. But that was not all. Cooperation in the investigation itself would not suffice. They wanted "constant working" with the commission so as to "secure such recommendations as will adequately protect our interest." But they did not even stop there, but took the position that after the recommendations were made, "we shall then have to devote our energies to secure legislation which will make the recommendations effective." The president also told the convention that it would be "almost criminal" to stop at this point and added, "there must be no question about its financial support. The secret of this unparalleled effort is to be found in this language of the president of the association: "For there is no other line of effort which will bring in greater financial returns to the members of this association."

This not only makes very plain what was actually done, but the motive back of this activity; and in that connection I would like to say right here that at the very time when this celebrated address was delivered in Salt Lake City the packers were paying the highest prices for live meat animals on the hoof that were ever paid in the history of the world, and it must be a self-evident fact that you can not have cheap meat on the table of the consumer when the packer pays high prices for the live meat animals. There should be no conflict between the producer and the packer, because their interests are absolutely mutual, each dependent upon the other. Nor should there be any conflict between the packer or the producer and consumer, because their interests are also mutual. This is a great, vital industry in which all three interests—the producer, the packer, and the consumer—should cooperate and treat the question of the production, slaughter, and distribution of meat with sanity and fairness. I differ with these gentlemen on the question of policy involved. If there is any question about the responsibility for this investigation, the report of the market committee to this Salt Lake convention should settle it, because the report says:

"The American National Live Stock Association is responsible for starting this investigation."

The committee further in its report said:

"HARD WORK AND EXPENSE.

"The Federal Trade Commission has a right, under the circumstances, to expect as to do our part by manifesting a keen interest in the investigation and supporting it in every possible way. When it is over, the commission will doubtless make recommendations to Congress and the President. New legislation will be required to make its recommendations effective. If so, it will be our business to see that it is enacted; this means hard work and expense."

In summing up the various things accomplished during the past year, the market committee said that:

"It secured the investigation of the packers by the Federal Trade Commission, assisted the Department of Agriculture, and helped get an appropriation of $250,000 to cover the expense and furnish the Federal Trade Commission with suggestions and assistance."

I believe that if it was fair for one branch of the industry to give "suggestions and assistance," it was also fair that the branch of the industry being investigated, even if denied the privilege of giving "suggestions and assistance," should at least have had the privilege of giving explanations, so that the report would at least be truthful and dependable, as to the one branch of the industry that was investigated, and so that it could be used as the basis for important legislation.

The market committee, in its report, also threw further light on its activity in this investigation, for it said:

"Our attorney, Walter L. Fisher, has been continuously on the job. He sacrificed his vacation in order to meet our demands on his time, and he performed service of the highest order both in connection with the Federal Trade Commission and also helping to formulate sound policies for the Food Administration. His knowledge of the situation and his ability make him at this critical time our most valuable asset."

Perhaps the most interesting part of the history of this investigation is what took place at the meeting of the American National Live Stock Association in Denver in January, 1919, after the Federal Trade Commission had made its report and during the hearings before this committee on the Sims and Kendrick bills, which were intended to embody the recommendations of the Federal Trade Commission. At this meeting Mr. William B. Colver, then chairman of the Federal Trade Commission, and the directing mind back of this investigation, made a speech to the convention. He started his speech with the following sentence:

COLVER'S ACKNOWLEDGMENT.

"It is a pleasure, as well as an honor, to come out here to talk to you, and in a measure make a report on the progress that has been achieved in the job on which you were instrumental in starting us." I heard this speech and I can not understand how a representative of our Government who was directed to investigate the whole food problem, in addressing one branch of this great industry, that he did not investigate, say that he came out to make a "report" to them as to the "job" on which they were instrumental in starting. I can not understand how the chairman of this commission, created to help and assist business, created solely as a fact-finding body, could "report" to men whose business he had been directed by the President of the United States to investigate.

Mr. Colver further said:

"You started the row; then you put us into the cage and went away and left us. I might say it has been a most interesting proceding ever since."

This language would clearly indicate that this gentleman never looked upon this proceeding in any other light than that of a "row." His vision did not permit him to rise to the great things involved in this investigation. Then in continuing his "report," he says:

"We did what you told us to do after you went away and left us."

Just think of the appalling features of this admission. The chairman of a commission that has to do with all the business of this country aggregating billions of dollars, and yet he goes to a convention of men that he was directed by the President to investigate and says to them:

"We did what you told us to do." Why did he not do what the President told him to do?

Then further on in his "report" he says:

"Of course, we knew about the fight that had been going on. We knew that three years ago, at El Paso, you started your market committee out and we knew that they did go out and them clamped on the job and they never let up until they brought home the bacon; and then they were through. * * * Now, to-day, the buck is right straight up to Congress."

Now, that they have passed the "buck" up to this committee in this matter, I feel it my duty to give you the benefit of these facts, because the American people believe in fair play and a square deal; and because I am opposed to this proposed legislation and I believe that the great majority of the producers feel, as is shown by their testimony here, that this proposed legislation is not in the interest of the producer.

SENATOR KENDRICK'S PROPAGANDA.

It is no doubt perfectly legal and proper that a member of this market committee and an author of one of these bills should sit as a member of the Agricultural Committee in judgment on the packers, and I have the highest respect for this distinguished gentleman, but I regret that Senator Kendrick feels justified in placing upon his envelope the following language:

"Whether or not the operations of the packers are in all respects fair and honorable, whether or not they allow the law of supply and demand full play in their markets, the fact remains that the power which they exert over the food supply of a population of more than 100,000,000 is altogether too great to be vested in the irresponsible hands of a few private individuals. There is no divine right in industry."

Sending out to the producers of this country this propaganda against the packers and in favor of these bills under the senatorial frank discounts anything in the way of propaganda which the ingenuity, efficiency, or economy of the packers have devised. This reference to "divine right in industry" in these days of unrest and socialism is not helpful in the proper settlement of this great question.

PRODUCERS WOULD BE INJURED.

But the important question for this committee to determine is whether the report of the Federal Trade Commission, in view of the foregoing facts surrounding the investigation on which it is based, can safely be made the basis of important, radical, new, and untried legislation, affecting a vital industry of this country, and I believe the great majority of the producers of this country feel that they are just as much interested in, and would be injuriously affected by, this proposed legislation as the packers. The great importance of this question to the people as a whole demands that all the material facts be known, because this agitation against the packers is causing many producers to market stock not ready for the market as well as much she stuff.

Some producers are now quitting the business on account of the present uncertainty, and if something is not done quickly to stop this and to encourage production there will be an unprecedented shortage of meat animals within the next few years, and then the price of meat will soar. In fact, with the present high prices of land and labor the day of cheap meat is gone forever. The trend in the future will naturally be upward rather than downward.

Mr. LYMAN. Mr. Chairman, before I leave, I was going to ask, in order to show the position of our board with reference to an investigation of the producers' activities, in production, that we have incorporated in the record at this time a resolution on the cost of production, adopted at our annual meeting a year ago, February 11 and 12, 1919. It is a very short resolution, but it shows that we asked Congress for all necessary legislation directing that investigations as to the cost of production of farm products be carried on year by year, in order that both producers and consumers may have adequate and reliable information on the subject.

(The resolution submitted by Mr. Lyman is here printed in full as follows:)

Whereas cost of production is fundamental in any fair determination of price; and

Whereas long-continued investigations on many farms have shown that the costs of producing farm products can be ascertained with reasonable accuracy: Therefore be it

Resolved, That we urge Congress to enact all necessary legislation directing that investigations as to costs of production of farm products be carried on year by year, in order that both producers and consumers may have adequate and reliable information on the subject.

Mr. LYMAN. We are courting that sort of thing; we want to be investigated. I think I have made it clear.

Mr. RAINEY. I do not doubt it. Did the Department of Agriculture, to your knowledge, make any investigation of the cost of production?

Mr. LYMAN. Of the producers?

Mr. RAINEY. Yes, sir.

Mr. LYMAN. We do not know just what was done. The Secretary of Agriculture, the man who was the Secretary of Agriculture at that time, in some public hearing used the expression, or words substantially similar, "If we continue studies along these lines," referring to the cost of production. Whereupon some of the farm organizations felt that there might be danger that cost of production studies would be discontinued, and they had felt that the investigations such as were being made were inadequate, and a little later on there was a change made in one of the departments which had the direction of that work. We were told that the Office of Farm Management was going to take up the problem with renewed vigor, with larger funds. I believe that it is a fact that they are making these investigations, with rather extensive plans, in order to get the fundamental facts as the cost of production, etc., and that what we hoped for will be done.

Mr. RAINEY. But you do not know, of your own knowledge, whether or not they have proceeded? Mr. Colver testified that the Federal Trade Commission and the Department of Agriculture had an agreement that the Federal Trade Commission were to investigate the packers and the Department of Agriculture the producers.

Mr. LYMAN. He said that the results of those investigations were in the printer's hands? We have not seen them. We only know in a general way that they have sent people to Kansas and down to Georgia and other places, and we are very anxious to have those investigations, and that they be carried on from year to year.

Mr. RAINEY. That is all, Mr. Chairman.

Mr. HUTCHINSON. Just one question, Mr. Lyman. You spoke of your being able to use $1,000,000 a month. For what purpose would you like to use $1,000,000 a month?

Mr. LYMAN. We expect to have a traffic department, with men on the job hired from organizations that have been extensively in the business of shipping, ready to receive and press the complaints that are coming and that will continue to come from hundreds and, possibly, thousands of cooperative associations of farmers in various parts of the country. The complaints are that they are not receiving their fair percentage and quota of cars, and I believe that this is a fact. I have been out on a trip through the West and I heard it everywhere from leaders and farm organizations. That is one thing.

I believe that we should have a great deal of publicity. If the packers can use some millions a year in their work simply to do what I would call destructive work to prevent legislation, which I

believe the country wants, why it ought to be very clear that in the farming industry, affected as it is by most adverse conditions in respect to labor and all that sort of thing, that they could use in a constructive way an equal amount of money. I do not say I would ask that amount. I merely said that in an offhand way. But there are many things which we could do here to advantage, not only for ourselves, but that would benefit the general public.

For instance, during the war period, and at the present time, I believe the Department of Commerce has had men called "commercial attachés" who go to all parts of the world. These men went under the auspices of the Department of Commerce, but they went in the interests of the packers; they went in the interests of the millers; they went in the interests of the great exporters and importers, and during that period you will find that when the farm organizations asked the opportunity to send representatives abroad that they were denied passports. Hundreds of these attachés went, and banquets were held on the high seas a year or two ago by business groups who were able, through their connections with the Department of Commerce, and because of their great organization here, the Chamber of Commerce of the United States, et cetera, to get their passports, while the farmers had no such opportunity and had no one to represent them—that is, from their own groups, Mr. Hutchinson. It is not to be denied that the Department of Agriculture appointed men, some good men, to go for the department. But they did not go to do the things that we thought ought to be done at that time, and, of course, they have made no report to us of what they did on their trip.

Mr. HUTCHINSON. Then, your object is to have a separate organization to operate against the Department of Agriculture?

Mr. LYMAN. Not at all. We believe that now the Department of Agriculture has got an idea, at least a good conception of what agriculture really needs, and what the majority of farmers want. There are some things that the Department of Agriculture can not undertake, ought not to undertake. Personally, I believe there is more to be gained through voluntary self-help, Mr. Hutchinson, than there is through anything that the State can do for the individual or group of individuals.

But I do feel that the Government should create the proper setting for that voluntary action on the part of both producers and consumers.

Mr. HUTCHINSON. One other question I want to ask you: You were here and heard Mr. Colver speak about the packers going down to Texas and buying material to make oleomargarin. Does your board oppose that?

Mr. LYMAN. That is a question that we leave absolutely alone. That is one thing about our board, that when a question comes up that is loaded with dynamite for our own membership we leave it alone [laughter], and let each organization handle that thing for itself.

Mr. HUTCHINSON. You would not have any objection to the packers going down to buy material or to sell it collectively, would you?

Mr. YOUNG. It goes a great deal further than that; it goes to the question of ownership and operation of the oil mills.

Mr. LYMAN. I am not informed on that, Mr. Hutchinson.

Mr. HUTCHINSON. You would not want to answer?

Mr. LYMAN. I could not very well answer it satisfactorily.

Mr. HUTCHINSON. Very well. That is all I wanted.

Mr. HULINGS. I might say I have heard people talking to-day in the interests of the packers and the farmers. Are we going to have anybody appear before this committee who will talk in the interest of the "people who are paying the freight"?

Mr. ANDERSON. We had a gentleman here last night, but I think you had gone.

The CHAIRMAN. And maybe others; I am not sure.

Mr. HULINGS. On these diagrams that were shown here yesterday there was a line representing what the farmers got and then different lines somewhat parallel showing what the packers got. But what the packers got compared with what the consumers are paying is practically negligible; and if there be any movement in this committee to inquire into the matter fully, there should be a third line representing what the consumers, that is so far above even what the packers get.

The CHAIRMAN. Mr. Anderson, can you answer that question?

Mr. ANDERSON. Others will be put on later.

The CHAIRMAN. Others will be put on later, Mr. Hulings.

Mr. RIDDICK. Just one or two brief questions, please: In Montana I have a number of different farm organizations which seem to have different ideas about this packer question. I understood you to say that this American Society of Equity is associated with but not affiliated with your organization. Do I understand that you speak for the American Society of Equity to-day?

Mr. LYMAN. No; I do not, and when I say the American Society of Equity, I should say rather the Wisconsin State Union of the American Society of Equity. The Wisconsin State Union has, perhaps, three-fourths of the entire membership of the American Society of Equity. The officers of the State Union are very friendly with our board. The State secretary attended our conference the other day and went home to make arrangements to send somebody down here to work with us. At some of these meetings I have cited here the American Society of Equity has sent its representatives, who concurred in and supported the resolutions which we adopted; and I have in this report right here the names of the representatives of the American Society of Equity, in fact, nearly every meeting we have had, State or national, some of the directors of the American Society of Equity have been present.

Mr. WELD. I would like to ask the witness with reference to the National Conference of Marketing and Farm groups. Did I understand you that you said that all those gentlemen whose names you have read endorsed the resolution?

Mr. LYMAN. No, sir.

Mr. WELD. I thought you said that.

Mr. LYMAN. I read the list of men who were on the general committee, who got the conferences up, and who assumed more or less responsibility, and so on; and then I mentioned the fact that of that number there were six of the members of that general committee who were members of the National Board of Farm Organizations.

Mr. WELD. There was not any intention to convey the idea that I was one of those mentioned.

Mr. LYMAN. I think the statement was very clear.

Mr. WELD. I was not clear on it. I did not think it was clear.

Mr. LYMAN. If it is not clear, I will see that it is made clear.

Mr. WELD. There was not any insinuation that I endorsed that resolution?

Mr. LYMAN. I know nothing about whether you endorsed that resolution.

Mr. LASITER. Did you oppose the resolution, Mr. Weld? You were a part of that conference, and did you oppose the resolution?

Mr. WELD. I did not happen to be there, Mr. Lasiter, and knew nothing about it. [Laughter.]

Mr. RIDDICK. Mr. Lyman, I understood you to say the organizations you represent endorsed, in a general way, this legislation, so far as it goes?

Mr. LYMAN. Yes.

Mr. RIDDICK. I would like to know if the Nonpartisan League is represented by your organization?

Mr. RIDDICK. Do you know what the attitude of the Non-Partisan League is toward the packers?

Mr. LYMAN. Well, my impression is that they are asking for legislation that will effectively control the packer situation. I am confident that that is their position in the matter.

Mr. RIDDICK. They are for Government ownership, I understand. Is that the fact or is it not?

Mr. LYMAN. They have representatives here, I think, in the city, and I would prefer them to say what their position is.

Mr. RIDDICK. How does the farmer membership of your organization throughout the Western States compare with the membership in the Non-Partisan League?

Mr. LYMAN. Of course, out in some of the Western States you will find some members of the State Farmer Unions who belong to the Non-Partisan League; you will find that the membership overlaps a little bit; that is only natural.

Mr. RIDDICK. I am sure it does.

Mr. LYMAN. And the membership—well, I suppose that in the State of Minnesota the Non-Partisan League has more members than any other farm organization. Of course, a great many people do not consider that it is a farm organization; they consider it a political organization, started primarily in the interests of farmers, and in Minnesota I suppose it has 40,000, 50,000, or 60,000 members. I do not know how it is out in your State. We know that the league controls the situation in North Dakota.

Does that answer your question?

Mr. RIDDICK. Yes, sir. My experience is that the different farm organizations are asking for different things, and I wanted the record to show that some farmers' organizations were asking for one solution of this matter and other farm organizations are asking for other solutions.

I would like to ask one other question: Is the Montana Live Stock Growers' Association incorporated in your organization?

Mr. LYMAN. No.

The CHAIRMAN. The committee will now stand at recess until Saturday morning at 10 o'clock.

(Thereupon, at 5.20 o'clock p. m., the committee recessed, to meet Saturday, February 28, 1920, at 10 o'clock a. m.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

SATURDAY, FEBRUARY 28, 1920

PART 4

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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L. G. HAUGEN, *Clerk.*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Saturday, February 28, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

STATEMENT OF MR. T. C. ATKESON, REPRESENTING THE NATIONAL GRANGE, 303 SEVENTH STREET NW., WASHINGTON, D. C.

Mr. ATKESON. Mr. Chairman and gentlemen of the committee, this packer question has been gone over by some of us a good many times and numerous statements have been made. It seems to me at this stage of the game that it is hardly necessary for me to go much into details as to the conditions, but to give in very brief terms what seems to me to be the state of mind of the farmer people of the country on the question that is now under consideration. I represent an organization of farmers that is more than half a century old, that has in it no elements of sensationalism or radicalism, or, at least, in a very mild way on the part of certain individuals, and as an organization we are trying to look into these economic questions from a sane and as impartial a standpoint as it is possible for human beings to consider questions in which they are more or less interested.

It is, perhaps, known to the members of this committee that there are other people in Washington, people who come to Washington claiming to represent certain farmer organizations. I think in all fairness it is true to say that we have a great diversity of state of mind among farmers like we have among other people, and possibly all of the individuals who claim to represent farmer organizations and near-farmer organizations do represent some farmer people. I think we can claim to represent the substantial bona fide producing farmers of the United States, with such exceptions as you may find here and there as to individuals.

At the last session of this organization they passed some resolutions bearing directly on this question.

Under the head of "Corporation control" the organization passed this resolution:

> The right of Government control of all trusts and corporations is fundamental and the Grange demands that such organizations shall be subordinated to the interest of the public and operated without extortion or discrimination. We insist that profiteers, speculators, and corporations unjustly controlling prices and supply of necessities of life, should be severely punished, not by fine alone but by imprisonment as well.

Then under the head of "Packer legislation":

> The instrumentalities for the distribution of food are matters of public concern. The Grange demands that they shall be brought under Government registration and be made subject to governmental control with means provided to judicially investigate all operations and to correct abuses by such legally enforceable rules and regulations as public interest may dictate.

It is our opinion and, I think, based on sufficient evidence that the real opinion and attitude of the farmer people of the country is expressed in those two brief resolutions.

When we consider any particular bill, and perhaps numerous bills have been presented in the House and in the Senate dealing with packers and the packer problems, I suspect that no member of this committee considers that a perfect bill has yet been presented, and that if they ever make a favorable report on the packer question that it will be some modification, greater or less, of Mr. Anderson's bill or some other bill, and that if we ever get legislation on that subject that a more or less similar bill will be passed by the Senate, and that the action of the two houses in the passing of these separate bills they will go to the conferees, and that the good God only knows what it will look like when it comes back to the two houses for ratification.

Being conscious of that fact, I am not disposed to say that there might not be a better bill than the one pending before this committee. As I understand, the Anderson bill is the one under consideration.

I think we all agree in Congress and out that the packers are a corporation with tremendous monopolistic power. If the Federal Trade Commission and the statements made before Members of Congress and of the Senate have not established the fact, it would be a waste of my time and your time for me to undertake to establish the fact now. I think we all agree that that is the fact. The judiciary department of our great Government may think it has in a measure solved the packer problem in the recent decree of the court, yesterday, I believe. Most of us recall that a few years ago the Supreme Court demobilized the Standard Oil and the Tobacco Trusts and immediately the stocks of those two corporations went up in the market. That kind of demobilization is like the old fable of the joint snake, where you could take a club and break it up into sections and then the head joint went around and connected up, and the snake was as good as it was before. That seems to be the effect of that sort of control of monopoly.

This recent decree of the court would seem to at least separate the packing industry from certain unrelated activities, like the grocery business and other activities that they were engaged in, owning the stockyards, terminals, and things of that kind, but somehow that sort of separation has never accomplished very much. They are nominally separate, but it is easy to arrange dummy holders and dummy directorates and to have the former machinery connected up in such a way that there does not seem to be much accomplishment. So I for one, and I think the public generally, put too little confidence in the recent court action as a substantial remedy for whatever evils may exist in the packing industry. If my conclusion is reasonably true, if ever there was any necessity for legislation to control the packers, that still exists.

I think, and I think the live-stock people of the country—I mean the producers and the farmers generally—believe that there is a strangle hold on the part of the packers on the producing end of the meat industry. I am inclined to think that the consumers who represent numerically a good many more than the producers feel like there is some unholy influence going on in the effort to control a monopoly in meat prices. It is impossible for me to determine what the remedy is, and I am inclined to think that you gentlemen would like to have somebody else tell you how to remedy an existing evil condition.

It has been my theory for many years that the packers are a necessity; I mean these large packing industries; perhaps not so large as the Big Five, but that so large an undertaking calls for large capitalization, skillful and expert direction and operation, and that they could not have built up those great packing plants and industries if they did not meet the economic conditions.

I know of no way to better present that view of the question than by my own experience, covering half a century. When I was a boy my father packed anywhere from 50 to 100 300-pound hogs, he grew the corn, he grew the hogs, he had his own smokehouse and manufactured and marketed his own meats. There was no monopolistic influence. Further on, when I had charge of that same farm, I shipped most of my live hogs to market, but packed only meat for my own family and two or three families of tenants who lived on that farm, to feed their families. My son and I are now operating that same farm. He and I are farming in partnership. He does the farming and I do the partnership end of it, but he does not even pack the meat that he feeds his own family on. He raises the corn and he raises the hogs, but the smokehouse is standing there empty. No monopoly controls that corn or those hogs or that smokehouse, and yet he does not make bacon. He kills a few hogs during the winter that he uses, one at a time. His hog crop goes to a packing house somewhere, and he and the two or three tenants living on the farm will buy Chicago bacon. There is no power on earth that makes him do that. There has been a radical change between my father packing from 50 to 100 300-pound hogs in the same smokehouse 50 years ago and the fact that my son now under exactly the same climatic and geographical conditions does not put any bacon or hogs in the smokehouse. That is an illustration of the growth of the packing industry.

Some of you gentlemen may be curious to know some of the reasons why on this farm of mine we gradually let loose from the bacon manufacturing and the same hogs went to the packers. There are a number of reasons why that is true, and it is not peculiar to my farm or my conditions; it is true from one end of our country to the other.

The packers did not compel the producers to do that. They began handling the products of these farmers in such a way under all the economic conditions that influence this enormous business, including the distribution, so that everybody of the 110,000,000 people could have pork chops for breakfast everywhere in the United States. That is a considerable undertaking. Getting from this farm of mine and the six or seven million other farms of this country the pork chops and putting them on everybody's breakfast table for one hun-

dred and odd million people is a gigantic undertaking. That is what is happening in this country every morning for breakfast if you eat pork chops, and if you do not eat pork chops you eat something else.

It seems to me that the great packing industry has been the normal meeting of economic conditions and it has probably grown to abnormal size, and we are led to believe by the evidence submitted by the Federad Trade Commission and much testimony before congressional committees that in fixing the price to the producer and fixing the price to the consumer there is a wide spread of profit, and I think those packers are just human beings, that having this power they do not hesitate to use it just as far as it seems safe to use it to their own advantage. That seems to me to be a perfectly legitimate conclusion, and since they evidently hold this power, I do not need to see their books, and they keep books all the time, in all the establishments as to their profits, but I do not need to see their books to know that they are not in the packing business for their health or for amusement or for the public good. They run a public service, of course, and the public is the beneficiary largely of this intricate and extensive business, but the packers do not do it for the public good. Having the power to fix prices for the commodities they purchase and for the manufactured or refined products that they sell, they probably tax the public what the traffic will bear.

The public interest is paramount to their interest or to the producer's interest or to the consumer's interest and separate and distinct from the other because the public includes all of us, that comprehends the packers themselves and all consumers, and the interest of all of the people is now, always has been, and always will be greater than the interest of any individual or any group of people in the country. So if legislation for the control of the packers is justifiable from the standpoint of the public it seems to me it is on the ground that the packers do possess the power to exploit the public. Maybe they do not do that, maybe they are philanthropists, maybe they are supermen, maybe they are a little lower than the angels, but I think we must admit they have the power to exploit the public, and if they have the power, whether they exercise it or not, it is the duty of the public to protect itself against the possible exercise of this power of exploitation on the part of the packers or any other monopoly in the country.

That seems to me to be the basis or justification for any effort to interfere with the private interests of the packing people in conducting their own business in their own way, for their own profit and the greatest profit they can secure. That is, they have obtained a monopoly which may be an oppression to the people, and that they should be restrained in the exercise of this monopoly within the bounds of a reasonable profit or reasonable compensation for this gigantic service which they render to the public. That seems to me to be sound logic at least, if not legal reasoning.

Congress has had much experience in attempting to control monopoly. Sometimes legislation works out differently from what it was expected to do.

I am inclined to think that the solution of the stockyard question is railroad ownership of the stockyards. If the stockyards remain in private ownership, so far as I can realize the situation, I would

just as soon that the packers would own them as any other set of men who had the same power of exploitation of the people through stockyards. It would be impossible to prevent collusion between the owners or the dummy owners of the stockyards and the packers themselves if it was to their profit to enter into collusion. If the railroads owned the stockyards as they own freight warehouses then it would be a part of the machinery of transportation, and some may say that there might be collusion between the railroads and the packers, and so there might be. The trouble with all of us is that we are human and liable to do things that we ought not to do, but it seems to me to be the best remedy for the stockyard control to prevent the stockyards from being used as a means of oppression on the part of the packers themselves.

I do not believe that they should be Government-owned, and I do believe that the Government should own just as few business activities as possible. In other words, the less the Government goes into business the better for the Government and the better for the community at large. I see no reason why the stockyards could not be owned by the railroads, just as the freight warehouses are owned by the railroad companies. It has been my opinion and the opinion of the organization which I represent that the best guaranty that can possibly be devised is to protect the public against the possible oppression of monopolistic packing business is the creation of a commission that would have the powers of a court that could immediately bring into court or to a hearing the packers on the complaint of any individual or organization of shippers. Most of the complaints of the packers—that is, on the producing side—are made by individual or community shippers of live stock to the packers, and if the packers knew that on the complaint of a sipper of any discrimination that the matter of fact could be brought into a court of proper jurisdiction and determined at once whether an injustice had been done, it would eliminate nine-teenths of the grounds for complaint.

For instance, I was told within the last few days in a private talk about the packing operations that are going on now, that some cattle shipped to one of the stockyards were supposed to be watered and fed before being weighed, and which should have been weighed in the morning, were driven from one stockyard toward another into an alley and were kept there until 2 or 3 o'clock in the afternoon without any feed or water before they were weighed. That is a case that I know nothing about, but if the man who owned those cattle discovered that that was a fact and he could have gone to some constituted authority and have complained and have brought Mr. Packerman or whoever was responsible for the handling of those cattle that very day into court, it would simply have been a matter of fact as to whether that sort of thing happened. That particular thing may never have happened, but there are a multitude of complaints of the packers of all sorts of crooked handling and overcharge for feeding about the stockyards. If the law was so constructed that on the complaint of an individual shipper or of a live-stock association that the packers could be made to establish either the truth or the falsity of the complaint as promptly as possible, the same day it ocurred, if possible, nine out of ten of the causes of complaint would not occur. I feel quite sure that that sort of a provision in any law that Congress

may adopt will go a long ways toward restraining the packers from doing the things that develop most of the complaints.

Not being an expert in writing laws or meeting the technicalities of legislation, I feel like saying to the members of this committee and to the Senate committee or to any other committee that may have the responsibility of legislating on this matter that the responsibility is yours and not mine.

I think any of the pending bills, the Anderson bill, the one you have under consideration, would very largely remedy the existing conditions—some modification of it, or some amendment might possibly effect the remedy more certainly or more directly than the pending bill; I do not know.

The CHAIRMAN. In speaking of the Anderson bill you seem to think that the committee is restricted to the consideration of the one bill. The understanding is that the whole subject will be considered.

Mr. ATKESON. I said in the outset that the final bill would not probably look much like the Anderson bill or any other existing bill, that it would be some modified form. That is the reason I did not confine what I have said to the terms of the Anderson bill.

The CHAIRMAN. We now have the decree which, of course, should be considered also—as well as other matters?

Mr. ATKESON. Yes, sir. Mr. Chairman, I have said all that I care to say unless someone wishes to ask me questions.

Mr. TINCHER. The Senate had hearings on the Kenyon and Kendrick bills. The Kenyon bill, as I understand, is an exact copy of the Anderson bill. As a result of those hearings the Federal Trade Commission said that there is a case for legislation. I have a brief this morning from the meat organization saying that there was no evidence offered there except the evidence for the packers. Then, we have the action of the Senate Committee in reporting out a bill and recommending its passage consisting of a portion of the Kenyon bill and a portion of the Kendrick bill, a compromise measure. Then, we have this morning a copy of the decree entered in the court by agreement between the packers and the Department of Justice. With that bunch of inconsistencies this committee will have to determine whether there should be legislation or report out some measure for consideration by the House of Representatives, and I do not exaggerate when I say that the packers' brief and the Federal commission's report, the action of the Senate, the contentions of the packers, and the consent to a decree are a bunch of inconsistencies, do I? For instance, if the packers' brief that they mailed to the Congressmen this morning—I do not know whether the packers did it or not, it is a meat trust organization here in Washington, their brief showing the testimony that was introduced in the Senate has been sent to each Congressman for the purpose of convincing him that there is no necessity for legislation—if that brief is well founded their attorneys have misrepresented them in agreeing to a decree of the court at Washington, which practically assumes the fact that the claim of the Federal Trade Commission is true, that there has been some violation of law. Do you think that the commission provided for in the Anderson bill has sufficient authority?

Mr. ATKESON. I think that would modify the Anderson bill in its relation to the commission problem very considerably, but that is a

matter of detail. If I were going over the bill, if this committee were to ask me to amend that bill, which they are not likely to do, I would make some substantial changes in it.

Mr. TINCHER. Have you ever read the bill passed by the Kansas Legislature recently on the live-stock proposition; have you had that bill called to your attention?

Mr. ATKESON. Yes, sir.

Mr. TINCHER. What do you think of that bill as a step in the right direction?

Mr. ATKESON. It is a step in the right direction.

What you said about agreeing to the decree of the court, so far as the public mind is concerned about that, they feel that practically any decree that the defendants would agree to is already under suspicion, to say the least of it, especially when it seems to be well known that they were the prime movers in the decree. If I agreed to a decree of a court it would be for one of two reasons. One would be that I thought it was giving me the thing I wanted or that it was the means of escaping the thing I did not want, and one or the other of those conclusions seems to me must be arrived at in the whole decree business.

Mr. MCLAUGHLIN of Nebraska. I want to get clear your position. You said that any bill that we might recommend would, of course, at the beginning be imperfect—that is true—and your position is that some legislation should be recommended?

Mr. ATKESON. Yes, sir. I have tried to demonstrate that from the premise that I laid down, that there is a necessity for restraining legislation in the interest of the public.

Mr. MCLAUGHLIN of Nebraska. You said that the stockyards, in your judgment, should be owned or controlled by the railroads. Do you go further and say that, in your judgment, the refrigerator cars should be owned by the railroads, too?

Mr. ATKESON. If either the packers or the carriers must own all of the refrigerator cars then I should say that the carriers should own all the cars, but it has seemed to me that there is a ground for reasonable compromise there. If some of the packers choose to own their own cars and the legislation is so framed that the railroads must own all the cars that other packers may want or need and that they are supplied without discrimination, in other words, if the Big Five packers choose to own their own cars, there seems some doubt about the possibility of doing by legislation what I have in mind, but if it is possible for them to own their cars and at the same time to compel the carriers to own refrigerator cars that they may furnish the packers who do not choose or are not able to own their cars so that there would be no discrimination in service by the carriers to the packers who own their cars, and those who do not own their own cars, I see no reason why we should not permit them owning their own cars.

Mr. HULINGS. Would not that make a handicap in favor of the packer that owns his own cars?

Mr. ATKESON. That is the danger of it.

Mr. HULINGS. That would place a handicap on the one who did not have his own cars, because the railroad company would have to charge cost plus a profit to the outsider?

Mr. ATKESON. Yes, sir.

Mr. HULINGS. Making a handicap right at the start?

Mr. ATKESON. Right at the start, that is true. If we accept the difficulty of the two classes of refrigerator cars, one privately owned and the other owned by the carrier, if that is not feasible, then unquestionably the carrier should own the cars in the interest of the public.

Mr. MCLAUGHLIN. Just another question. Other witnesses here have testified to their conviction in view of the fact that the packers are dealing in substitutes for butter, cheese, eggs, and so forth, that the packers should be divorced from business in those three products. Do you agree with that?

Mr. ATKESON. I have never seen much necessity for it. The reason for that divorcement is to reduce the cost of living. I think that I can forewarn all hungry people that they will not get any reduction in the cost of living just that way. If that does not follow, I do not see any particular reason why that divorcement should take place.

Mr. MCLAUGHLIN of Nebraska. Along another line. In introducing your testimony I got the impression either from direct statement or implication that you said there would probably be people here assuming to represent the farmers and stock growers who probably were not representing them. I want to ask you in that connection if your experience in your present position leads you to believe that generally speaking so-called live-stock associations that come here to testify may not more especially represent the packers than the producers?

Mr. ATKESON. Well, some rather suspicious things have occurred in some of these hearings. When some individual farmer comes all the way from the extreme West to testify on behalf of the packers before a congressional committee, I am naturally suspicious to start with. It costs some money to come to Washington. When an individual stock grower from Oregon, for instance, comes to Washington, he needs to show me or I am suspicious that maybe his railroad fare to Washington was a free trip. I do not want to insinuate that that is true of anybody, but I am like other human beings; and if I were living in Colorado or Wyoming and came here at my own expense to testify before this committee, or if I came as a representative of some accredited stock growers' association, and at their expense, that is sufficient accounting for my being here; but if I came at considerable expense as an individual, quite generally those individuals either have a real grievance, or they are some kind of philanthropists, or somebody else pays their expenses. Some of those things are true.

Mr. MCLAUGHLIN of Nebraska. Just one other question and I am through: Do you know of instances where the live-stock associations are composed in part, or perhaps pretty largely, of commission men and those directly interested in the disposition of the stock at the yards, and either directly or indirectly interested in the packers themselves?

Mr. ATKESON. It depends on the character of the live-stock association. We have live-stock associations that confine their activities to the cattle industry and others that confine their interests to the sheep industry; and when you get out in the semiarid region west of the one hundredth meridian the cattle organizations are largely engaged in producing meat animals, and many things have led me to believe that, individually and collectively, there are more or less connecting

interests between the packers, and the favoritism shown by packers through their banking interests and others in one way and another—there is a sort of entangling alliance, to put it that way—between the great packing industry and the great live-stock industry in the West, including possibly as far east as Kansas and Nebraska, and from that westward. I would not want to convict—I do not think I could convict—anybody, but my personal and best knowledge is that there is more or less entangling of the two interests, the packing and the producing interests, if that is an answer to your question. I think I could substantiate that, and I think you may if you try to. You may possibly with the witnesses that will come before your committee.

Mr. YOUNG. You agree that as a matter of public policy it is a proper thing for the packers to be prohibited from following business not related strictly to the packing business, such as engaging in the grocery trade?

Mr. ATKESON. I think that is right; I agree to that unconditionally, because monopolies through the strangle hold on the food products of the country, as you know, reach down to a single commodity. I think that is sound public policy.

Mr. YOUNG. It is too much power to be vested in any five organizations or more than five organizations to control the meat and food supply of the American people, and when they go outside of the meat-packing business proper and engage in the grocery trade, the canned-goods trade, fruits, and all that kind of stuff, etc., they ought to be restrained either by legislation or decree from doing that.

Mr. ATKESON. Yes, sir. The court decree seems to have accomplished that.

Mr. YOUNG. That is a very important part of the decree?

Mr. ATKESON. That seems to be the only valuable part.

Mr. YOUNG. I think myself it is a very valuable part.

Mr. ATKESON. Unquestionably

Mr. YOUNG. Taking another proposition which has been discussed, and probably relates to other industries, but as illustrative of what I want to say, my home county in Texas is engaged chiefly in the production of cotton. It is a good cotton country, producing from 50,000 to 75,000 bales of cotton annually. A part of that community life, first, is the production of the cotton on the farm in which the individual citizen is engaged. Then in each county is the gin, that the cotton producer must patronize in order to have his cotton ginned. That is a community proposition, individual ownership of the mill, but each community must have its gin, and so after the cotton is ginned then you come to the use of the seed, which has both the food and feed elements in it, as you know. That county has three oil mills located in towns of the county, so as to be available to those cotton farmers to sell their seed. Those oil mills have been built by local capital and developed by local capital. That is a part of the community life. As a matter of public policy do you or not think that it is a proper thing for a combination of packers engaged in the meat business to enter that field and to assume the ownership of the cottonseed oil mills?

Mr. ATKESON. Well, what is the objection, if they render a cheaper and more efficient service than somebody else would render?

Mr. YOUNG. I am just discussing it as a matter of policy. If it is right, as a matter of public policy, to do that, then how can you say that it is against public policy to engage in the grocery business?

Mr. ATKESON. I see the difficulty with that. That is a question which comes up all the time as we reason about it. If they can engage in the grocery business and render the service more cheaply than anybody else, why should they not be in it and then go into the oleomargarine business, which they make largely from cottonseed oil.

Mr. YOUNG. I am not discussing that.

Mr. ATKESON. I understand. If they go into that business, that is one of the businesses; and the question is, where will it stop? As a matter of public policy, if they can go into the cottonseed milling business and secure a monopoly of the cottonseed production and a monopoly of everything else, then the food, and why not the clothing?

Mr. YOUNG. That is right.

Mr. ATKESON. You have one gigantic corporation controlling all the necessities of the public, which is certainly against public policy, in my opinion. Just where the line should be drawn is the question. The decree of the court in the case of the packers has attempted to limit them to meat products and related interests. That, of course, would exclude them from going into the cottonseed business. I am growing cotton, too, down in southern Alabama, where I have a son located. It is my opinion, and I think it is that of the public, that the entire food supply of the whole population of the country should not be controlled by one corporation, even if it renders the service at less cost, because of the tremendous power that it gives them to exploit the public, and they may render an efficient and cheap service here and exploit the people somewhere else. We do not want to feel that we are in the power of one corporation or of several corporations, for that matter; and so I think, as a matter of public policy, that that is one place where you can certainly restrain the packers by limiting them to a certain field; and yet when you begin that you get up against their argument, like the question of their manufacturing fiddle strings; they have the raw material, and if they can manufacture fiddle strings more economically than anybody else, why should they not manufacture fiddle strings? Yet it has no relation to the meat industry, except, of course, that fiddle strings are made out of something unseparated from the meat industry.

Mr. MCLAUGHLIN of Michigan. It bears the same relation that the tanning business would bear to the meat industry?

Mr. ATKESON. Exactly the same way; if there were no hides there would be no tanning.

Mr. MCLAUGHLIN of Michigan. We have been advised that it is properly one of the lines of business in which the packers can engage—the tanning industry?

Mr. ATKESON. And to the advantage of the public, they claim. I am not prepared to say they can not. They own the hides and they own the cattle.

Mr. YOUNG. The point I am making is this: The packers are just human beings.

Mr. ATKESON. Yes, sir; and not always the best human beings.

Mr. YOUNG. We know that when a man is clothed with authority, a human being or a board, that they very naturally exercise that power. That goes without dispute, I think.

Mr. ATKESON. That is all he wants with it, to exercise it—to exercise that power.

Mr. YOUNG. Going back to the question of public policy, of invading the territory I have just described, I think it is a happy community life for people to develop these things, and, as a matter of public policy, my conclusion is that the packers ought to be held to the meat industry. That is what they went into originally. They ought not to go out into these unrelated, although they may be related, institutions and break up a community life which is successful, because when they do once get all of that power, then there is no restraining them.

Mr. MCLAUGHLIN of Michigan. When they exercise that power to the disadvantage of the local businesses as they will exercise it, then you have trouble on hand.

Mr. ATKESON. I fully agree with the conclusion that that is one thing legislation can prevent, going into these unrelated activities.

Mr. YOUNG. Furthermore, the average American citizen is going to follow some pursuit in life. That is what makes the happiness of the communities. If some great combination of capital, like the packers, with the power they have by virtue of this combination of capital and with the smartest bunch of men directing that money can employ, the private citizen is put out of business, and that renders an unfortunate condition in any community.

Mr. MCLAUGHLIN of Michigan. Following what Mr. Young has said of the need of protection of the cotton growers against the packers, do you think there is any inconsistency in their joining forces with the packers? I mean the cotton growers to advocate these oleomargarine laws to the serious detriment to the dairy industry of the country.

Mr. ATKESON. That is in evidence; they have done that.

Mr. MCLAUGHLIN of Michigan. The pending bill for the removal of practically all restrictions upon oleomargarine would not go very far but for the demand or the insistence of those who are interested in the cotton industry.

Mr. ATKESON. But the packers do all of the oleomargarine business. As has been said, they should not control anything other than the meat industry and that would break up that combination, would it not?

Mr. MCLAUGHLIN of Michigan. I do not think there is any suggestion from any source that the oleomargarine business should be destroyed or that the packers should not be permitted to engage in it, but those who are more interested in the dairy interests wish proper restrictions.

Mr. YOUNG. I did not discuss the oleomargarine proposition at all.

Mr. MCLAUGHLIN of Michigan. I know you did not; I did.

Mr. YOUNG. That the cotton producers were entering into a combination with the packers along the oleomargarine industry.

Mr. MCLAUGHLIN of Michigan. I beg your pardon, Mr. Young.

Mr. YOUNG. Permit me to make a statement. I, the cotton producer, have absolutely no objection to the proper control of oleo-

margarine, but as a cotton producer I believe that it should be branded as oleomargarine so that the public might know what it is and so that the public will know when they are buying it that they are buying oleomargarine and not butter. I have no objection to that. There is not a man on earth, as a question of public policy, who can defend the taxing power of the Government by using that taxing power to destroy an industry like vegetable oil that comes out of the cotton seed.

Mr. McLAUGHLIN of Michigan. I beg your pardon.

Mr. YOUNG. I did not want to go into that question.

Mr. McLAUGHLIN of Michigan. I claim the privilege of differing from you when you say that the men from the cotton section of the country have not joined with the packers on the oleomargarine question. It was only a few years ago that we had a very important bill before this committee. It was not reported out, because there was a tie vote. Every man from a cotton district on this committee voted to report out the bill.

Mr. YOUNG. Yes, sir.

Mr. McLAUGHLIN of Michigan. And it was in the interest of the oleomargarine interests of this country.

Mr. YOUNG. I voted to report out that bill because of the fact, as I say, you can not defend the proposition of putting a tax as it is put on the industry. I do not object to all kinds of restraint, but when you come to using the taxing power of the Government to tax out a perfectly legitimate industry, my contention is that you are using unjustly the taxing power of the Government. That is my position on that exactly.

Mr. McLAUGHLIN of Michigan. The taxing provision now in force has not been burdensome to the oleomargarine makers, as the reports from the Treasury Department show. Taking one year with another only about 2½ per cent of all the oleomargarine produced in this country pays 10 cents a pound and 97½ per cent pays what? A quarter of a cent a pound, as I remember the law.

Mr. HEFLIN. If this tax were reduced, taken off, it would reduce the cost of living to a great many of the people.

Mr. McLAUGHLIN of Michigan. Two and one-half per cent pay 10 cents and 97½ per cent pay a quarter of a cent tax. Do you think that law is burdensome to the manufacturers of oleomargarine or the people of this country?

Mr. HEFLIN. I do not know the per cent they are paying.

Mr. McLAUGHLIN of Michigan. I am telling you.

Mr. HEFLIN. Where did you get those figures?

Mr. McLAUGHLIN of Michigan. From the Treasury Department.

Mr. HEFLIN. I know that the labor organizations at the time asked to have that tax reduced.

Mr. McLAUGHLIN of Michigan. Who asked for it?

Mr. HEFLIN. A man from the District; I have forgotten his name.

Mr. McLAUGHLIN of Michigan. This District?

Mr. HEFLIN. Yes, sir; the District of Columbia.

Mr. McLAUGHLIN of Michigan. Where was he from?

Mr. HEFLIN. He represented organized labor.

Mr. McLAUGHLIN of Michigan. Oh, organized labor.

Mr. HEFLIN. I do not remember what proportion of the oleomargarine paid 10 cents a pound tax, but the cost of living was increased to that extent.

Mr. MCLAUGHLIN of Michigan. Probably not, but yet you take the position that an injustice is being done to the oleomargarine people.

Mr. HEFLIN. When you deny the right to color oleomargarine to any fellow that may desire to color it, provided he brands it oleomargarine, you are interfering with the individual rights of the citizen. What right has the Government to deny me the privilege of manufacturing oleomargarine yellow when I brand it as oleomargarine, so that the public will know that it is oleomargarine?

Mr. MCLAUGHLIN of Michigan. The oleomargarine people should be permitted to unload their product in any way they please. You might as well advocate that when we send our soldiers out to fight the Germans we should clothe them in German uniforms so that our soldiers could not tell one from the other.

Mr. HEFLIN. That is ridiculous; it is no comparison at all. Oleomargarine is supplied as oleomargarine and butter is supplied as butter, and the soldiers, whether they wear cotton or wool uniforms, the uniforms are the same color, and yet one is sold as cotton and the other as wool. But you don't want oleomargarine and butter to be the same color, although both are branded and sold for just what they are.

Mr. HEFLIN. I just wanted to say this, that I am in favor of safeguarding the butter industry in every way possible. At the same time, I am opposed to having oleomargarine outlawed. When you keep the oleomargarine people from coloring this product yellow, although they brand it and sell it as oleomargarine, you do them an injustice. I just want to make this statement, and I am through: A great deal of beef fat is used in making oleomargarine, and cottonseed oil, both of which are of a rich yellow color to start with. In order to make white oleomargarine out of it, you have got to take the yellow coloring matter out of the beef fat and out of the cottonseed oil, so that it will not look like butter, although you brand it as oleomargarine and sell it as oleomargarine.

These are the things that I can not get into my head as being fair and just to the oleomargarine makers.

Mr. MCLAUGHLIN of Michigan. The Bureau of Chemistry tells us that the nearer white oleomargarine is the nearer pure it is, and that the more it is colored artificially or naturally the more impure it is.

Mr. HEFLIN. I am afraid some of those chemists are influenced by some of the interests antagonistic to olemargarine.

Mr. ATKESON. I just want to make one statement in answer to the question Mr. Young asked. It is my judgment that the packers should be restrained from engaging in any unrelated businesses to meat production, in order that other men and other enterprises may live and flourish, even if this service costs more than if the packers had a monopoly of the whole business. It is a protection to the public for it to draw its supply, whether food or otherwise, from more hands than one, or that their supply should not be controlled under one direction.

We can afford to pay something for the development of a community interests, as Mr. Young has said, even if it costs more than if the packers are operating that same thing.

So I think it is perfectly sound public policy to prevent the packers or anyone else from covering too wide a range of activities in the interest of the public generally, in order that other people may have at least a gambler's chance in the success of life and in the field of competition; and that this one monopoly or any monopoly, may not secure too great a control over the public's necessities.

With the statement, I am thrugh.

Mr. RAINEY. Just a minute, Mr. Atkeson, if you please, as I wanted to ask you a few question. You said your boy is running the farm you own?

Mr. ATKESON. Yes, sir.

Mr. RAINEY. He does not kill the hogs or smoke the bacon any more, but sends the hogs on to packers?

Mr. ATKESON. Yes.

Mr. RAINEY. Is it because it is more profitable for him to ship the hogs to the packers to kill and buy his meat more reasonable from them?

Mr. ATKESON. We have got to reach one or two conclusions, and that is that either he is not a sound business man, or that is a fact; that is, under all the conditions he has found it more to his advantage to have the packers pack the meat than it would be to pack it himself.

Mr. RAINEY. Is not that generally true of a good many shippers. who ship their cattle to the packers and have them killed because of the efficiency of the packers? In other words, they are making more profit by selling their stock to the packers and then buying the meat back from them?

Mr. ATKESON. Unquestionably; or they would not do it. As I said before, my son and I have a partnership arrangement on the farm where I was born. He owns half of the hogs and the smokehouse and no packers on earth could make him sell to the packers if he thought it was to his advantage to put these hogs in the smokehouse. Since he does not put them in the smokehouse, the conditions under which he is operating now are so different from what they were when my father operated the farm and when I operated it later that the hogs do go to the packer. There are a number of reasons why that is true, but I did not go into the details as I did not feel like taking the time of the committee to go into them.

The by-products which would be a total waste on his farm will transport those hogs to Chicago and the meat back again.

Mr. RAINEY. So that instead of doing your boy, who is a producer, an injustice, the packers are a benefit to him?

Mr. ATKESON. We concede that. He did not have to ship those hogs; he does it because he finds it to his advantage.

Mr. RAINEY. And instead of curtailing his profits, the packers are enhancing his profits?

Mr. ATKESON. Possibly so; at least they are meeting an economic situation.

Mr. RAINEY. You said you were in favor of the packers making a reasonable profit?

Mr. ATKESON. Yes, sir.

Mr. RAINEY. You have read their statements where they state that they make about a quarter of a cent a pound on meat?

Mr. ATKESON. Yes.

Mr. RAINEY. If that was taken away it would not make a great difference in price so far as the consumers are concerned, would it?

Mr. ATKESON. Not much.

Mr. RAINEY. The Federal Trade Commission and others who have investigated the packers and had an opportunity to examine their books have not offered any evidence to controvert the truth of the statement that the packers make less than a quarter of a cent a pound, or less than 2 cents on a dollar. Do you know whether their profits amount to more than this?

Mr. ATKESON. I do not know—you mean whether the packers make more than that or not?

Mr. RAINEY. Yes.

Mr. ATKESON. No, sir; I do not. I am assuming that the investigations are as nearly correct as they can be made with the packers handling the books. But, in the aggregate, they declare very large dividends.

Mr. RAINEY. That is the result of the volume of business they do?

Mr. ATKESON. Possibly. I am not undertaking to determine what is a reasonable profit on their business.

Mr. RAINEY. You spoke of this commission having a place where wrongs of the shippers might be redressed. Is it not true that commission men are under supervision, and if a shipper has a complaint he can make it to the live-stock exchange, and that they will investigate it for him?

Mr. ATKESON. That is possibly true, to some extent, but it has not the same kind of confidence of the public that it would have if it were legally constituted by a statutory enactment. It is a voluntary arrangement, and generally those interests are dominated by the packers rather than by the individual shippers.

Mr. RAINEY. These commission men's books are open to inspection by the shipper, are they not?

Mr. ATKESON. I presume so; but the shipper is not always there.

Mr. RAINEY. This particular case that you speak of; did the packers have anything to do with that?

Mr. ATKESON. The packers had nothing to do with it. It just passed through the commission merchants in the city of Pittsburgh, and the return was so small that an investigation followed, and the matter got into the courts. Of course, there was a criminal act there.

Mr. RAINEY. Do you see any objection, Mr. Atkeson, speaking about the farmers who come here to testify for the packers, if the packers pay their railroad transportation here as witnesses; would there be any objection to that?

Mr. ATKESON. There would be something objectionable to it if I accepted money for my expenses to come here to testify for the packers.

Mr. RAINEY. You come here as a representative of the farmers. A gentleman testified yesterday that he represented 2,000,000 farmers. Now, listening to that testimony we, as a committee, are inclined to believe what he has stated is true.

Mr. ATKESON. You say he testified in behalf of the packers?

Mr. RAINEY. No, sir; he testified in behalf of the farm organizations. If the packers desire to controvert his statement, the only way they can do it is to bring in some farmers to say that he does not represent their sentiments; is not that correct?

Mr. ATKESON. Yes.

Mr. RAINEY. Do you not think they should do so when the charge is made?

Mr. ATKESON. I do not know whether they have to. I think they may do it; I do not see anything criminal in their doing it.

Mr. RAINEY. How could they produce denial of the assertion if they did not produce farmers to say that "this man does not represent us"?

Mr. ATKESON. That is right.

Mr. RAINEY. That is the only way they can do it?

Mr. ATKESON. That is the only way.

Mr. RAINEY. Then there is nothing reprehensible or wrong in that?

Mr. ATKSEON. Presumably, these people who come here may get their expenses from live-stock associations.

Mr. RAINEY. What association do you represent, Mr. Atkeson?

Mr. ATKESON. I represent the National Grange.

Mr. RAINEY. Do they pay your expenses?

Mr. ATKESON. I am here in the city at their expense. But there is no secret about my expenses. I have been here since the 1st of Jnuary a year ago, and our office expenses cost our membership just 1½ cents apiece a year.

Mr. RAINEY. I have no criticism to offer toward that at all. I think it is advisable that you should be here. But when you figure that your organization have a right to be here, and your expenses paid, I do not see why you should be suspicious of some farmer who would come here to testify for the packers and say your organization does not represent him as a farmer?

Mr. ATKESON. The ground of suspicion is that these witnesses are more or less biased, unless the packers are a real benefit to the shippers and the public. I have not attacked the packers very much, you notice, because they presented their own side and have a right to: I have tried to present the other side.

Mr. RAINEY. Do you not believe the packers are a great assistance to the producers of the country?

Mr. ATKESON. There is not any question but what they are rendering a great service, but that is no reason why they should have a stranglehold on both the producer and the consumer, and the public should be protected as far as possible against that sort of monopolistic control of the food supply.

Mr. RAINEY. What we are attempting to find out here is, where they have the "stranglehold."

Mr. ATKESON. Everybody knows that is a fact.

Mr. RAINEY. There seems to be a wide difference of opinion.

Mr. ATKESON. Everybody but some Members of Congress think that is a fact.

Mr. MCLAUGHLIN of Michigan. Everybody but Members of Congress? You do not include all Members?

Mr. ATKESON. No.

Mr. RAINEY. Mr. Atkeson, do you think this legislation we speak of and the commission you favor—you were in favor of a commission—do you think this would mean higher prices to the farmer for his live stock?

Mr. ATKESON. It is very questionable whether it means higher price or a lower price. Of course, when you go into the question of price fixing and the question of the high cost of living, there seems to be another thing that everybody knows except the newspapers and some town dwellers, and that is that unless prices come down all around, any hope of the reduction in the cost of living as to what we eat is an irridescent dream. It has got to go higher relatively. Just take that now and make the most of it. That is long-range prophecy, but that is the fact.

The cheapest thing we buy in Washington to-day, relatively, is what we eat. I say that advisedly.

Mr. RAINEY. Have not the prices of meat decreased recently more than any other necessity?

Mr. ATKESON. They have not decreased any in the restaurants and hotels in Washington. I have my wife and daughter here, and when hogs went down 10 cents a pound, pork chops went up 3 cents a pound.

Mr. MCLAUGHLIN of Michigan. Went down 10 cents a pound to the producers?

Mr. ATKESON. We were feeding hogs on my farm, and under the drive to reduce the cost of living, hogs went down 10 cents a pound; and within that very week we paid 2 cents a pound more for pork chops in Washington than we had paid before.

Mr. RAINEY. What was the reason for that?

Mr. ATKESON. I give it up. There was not any reason, but what the cause was, I do not know. But that was a fact.

Mr. RAINEY. Did you suggest you were in favor of the commission fixing prices; did I understand you to say that?

Mr. ATKESON. I am opposed to fixing prices at all on anything.

Mr. RAINEY. Do you think it was the fault of the packers that the producers lost money on live stock last year?

Mr. ATKESON. Possibly so. The packers were interested only because of the clamor on the part of the public; that is, the packers had the power to put down the price of beef cattle. They were the only buyers of beef cattle, substantially; and because of the clamor on the part of the public they could force down the price of cattle on the market. But it is one of the laws of economics that you can artifically interfere with the price of the thing which is already in existence. As I said to Mr. Hoover and others when they were fixing the price on wheat, "The Government can fix the price at one dollar just as well as two dollars, but it can not make me sow wheat next fall."

You can force down the price of cattle on the present cattle supply artificially to meet a public clamor and defeat itself.

Mr. RAINEY. Do you think the packers in the past year forced down the price of cattle?

Mr. ATKESON. I think they did, below a profitable price to the producer.

Mr. RAINEY. Do you think they profited as a result of that, as packers?

Mr. ATKESON. I doubt if they did. I think that the price of beef went down and the retailers forgot about it and continued to charge the same old price to the consumer.

Mr. RAINEY. Do you know whether or not the packers made or lost money on cattle last year?

Mr. ATKESON. I assume they made money.

Mr. RAINEY. I saw a statement in Swift & Co.'s Yearbook to the effect that Swift & Co. lost millions of dollars last year on the price of cattle.

Mr. ATKESON. I am not familiar with that. I assume that since they know what the supply cost and know what they got for the product that they are dealing in there was a sure basis of profit. It is to be assumed that is true. As business men—there may have been some temporary time or brief length of time when they lost money on the cattle they bought, but not permanently.

Mr. RAINEY. So, if their statements or books say they lost money on cattle, you would be surprised?

Mr. ATKESON. I would be surprised.

Mr. RUBEY. Let me ask you a question right there: If the packer can determine the price that he is going to pay for the stuff, and he can fix the price that he sells it for to the retailer, then if he loses money it is his own fault.

Mr. ATKESON. That is my conclusion.

Mr. RAINEY. Do you think that he can fix the price that he is going to pay and the price that it will be sold for?

Mr. ATKESON. He can unquestionably fix the price for any meat-producing animals for a short period of time, say, for a year, because there is no other place where cattle in large numbers can be sold. The packers practically control the market, and since they control the market they can fix the price at most any figure they please, since when the hog is fat, as the old saying is "It is time to sell him," and he becomes a burden and expense after he has reached complete maturity and he must be sold. The only market is the packer; they can name the price.

But the packers know this, that in order to make a profit and do business continuously they must have hogs and cattle, and if the price is below the cost of production, or so low that it does not encourage production, it puts them out of business at the same time that it puts the producer out of business. So they are really interested in keeping up the price of cattle to a point that will induce production.

Mr. RAINEY. It is beneficial to them to see that the producer makes a profit.

Mr. ATKESON. That the producer makes a profit, or they will have no profit; that is, if they fix the price of hogs and cattle at so low a point that it would put the producer out of business or discourage the production of hogs and cattle, it would lessen their profits, because they deal on a margin of profit which, we will say, is one-quarter of 1 per cent or whatever it is. If there are only half as many hogs and cattle in the country as there might have been, they will only make half as much money or half as much profit as if they could double the amount of cattle handled.

Now, then, when the producer loses money or begins to lose money, he begins to produce less and less; and those who produce the articles

whatever it is, on the farm least profitable quit further production of it; because, on the principal of averages, the man who makes the profit on the average production and on the average farm, half of the product is produced at a loss. If they come out even on the basis of averages, half of the commodity has been produced at a profit—that is, above the average—and that that is produced, which is half of the total, below the average was produced at a loss.

To use wheat as an illustration, 15 bushels is an average yield for the whole country—and it is above the average yield a little for wheat. Then half the wheat produced has been produced on an average yield of 7½ bushels.

Mr. RAINEY. So that if the packer hurts the producer, he hurts himself.

Mr. ATKESON. He hurts himself ultimately. He could rob the farmer this year, but it would put the producer out of business ultimately and put the packer out of business ultimately.

Mr. RAINEY. It is not natural that the packers want to go out of business.

Mr. ATKESON. That is right.

Mr. RAINEY. And therefore the packers are attempting to help the producer.

Mr. ATKESON. The packer knows he must keep the producer doing business, or it puts him out of business too.

Mr. RAINEY. We had some discussion, Mr. Atkeson, the other day about cattle loan banks. Are you familiar, or have you any information in this regard? Have you ever borrowed money from them?

Mr. ATKESON. I have some knowledge in a general way, and that is like all their other activities outside of the meat production. They are entangling alliances. I have no doubt that the packer banks in a good many instances set men up in hog, cattle, or sheep production business; that no other bank would take the risk and set them up in business.

Mr. RAINEY. They help the producer.

Mr. ATKESON. Yes. But they are interested as bankers, just as other bankers will be interested; but they are also interested in the product that this man they are behind is going to send to their packing houses, and they will take more risk. They have a secondary interest, that I have not any doubt has caused the packer banks to be a substantial benefit to many individual stock growers in this country. But notwithstanding that is true, I still believe that in the interest of the public that the entangling alliances between the packers and the banking business ought to be prevented.

Mr. RAINEY. Do you think laws should provide the producer be paid a price high enough to cover the cost of production and at the same time give him a profit?

Mr. ATKESON. Theoretically that is true. If the cost of production were ascertainable on any farm products, you could proceed on that theory, but no man living ever has or ever will determine the cost of production of a farm commodity.

Mr. RAINEY. Going now to the refrigerator cars, do you think if those refrigerator cars were taken away from the packers that the producer would get any higher price for his stock.

Mr. ATKESON. I think it very doubtful.

Mr. RAINEY. In other words, when the producers cattle are ripe for market he has to ship. He desires when they are shipped that the packer buy them. If the packer has not facilities in which to ship dressed meat the market becomes glutted and the stockyards are filled and the packer would not be able to buy the cattle. Is not that correct?

Mr. ATKESON. That is correct. But it gives the packer the monopoly. If we are going to curtail their monopolistic power, one of the chief instrumentalities of their power is the fact that they control the shipping facilities.

Mr. RAINEY. Would it not be better to have the railroad companies build enough refrigerator cars to supply the demand?

Mr. ATKESON. That is exactly right. In my statement I have said that, that without the packers privately owned some cars and the railroads own enough refrigerator cars to supply everybody who do not wish to own their cars—if that can not be done and made operative, then unquestionably there should be no privately owned cars, and all refrigerator cars should be owned by the railroad companies, so that they would supply refrigerator cars impartially to all packers who might need the refrigerator facilities.

Mr. RAINEY. The gentleman from Pennsylvania questioned you with reference to refrigerator cars and the railroad companies. I want to find out whether the packers get any special rates as a result of the ownership of these cars. They pay the same rates for these cars as if owned by the railroad company, do they not, so far as transportation rates are concerned?

Mr. ATKESON. And if that is true, possibly there is collusion between the packers and the railroads.

Mr. RAINEY. But you do not know of any?

Mr. ATKESON. I do not know of any. But the monopolistic power remains. If the railroad owns no refrigerator cars and the five big packing concerns own all the refrigerator cars and all of the facilities for distribution, that in itself prevents competition or possible competition, unless the competitors have means enough to own refrigerator cars, too. If the law compels the railroads to own other refrigerator cars in sufficient quantities to supply competitors of the large packing plants to supply other packers, I would see no objection to privately-owned cars.

Mr. RAINEY. Do you think that legislation directed toward the railroads increasing the amount of refrigerator cars would be far more beneficial than to deprive the packers of the refrigerator cars they own?

Mr. ATKESON. Yes. I have serious doubts, however, about the possibility of the two classes of refrigerator cars. My own opinion is that the railroads ought to own all the refrigerator cars and that those cars should be furnished to all shippers on an absolute equality, so that there may be no possibility of discrimination between shippers for shipping in refrigerator cars. If that can be done, and still permit private-owned cars, I see no objection to the private-owned cars. But I doubt the feasibility of that.

Mr. RAINEY. What officers in your organization besides yourself, Mr. Atkeson?

Mr. ATKESON. The master of the National Grange is S. J. Lowell, of Freedonia, N. Y., who was just elected last November. Oliver

Wilson, of Peoria, Ill., was master of the organization for 8 years just prior to Mr. Lowell.

Mr. RAINEY. What about your board of directors?

Mr. ATKESON. The National Grange has 13 officers, and an executive committee of four members, of which I am one member, and the executive committee has control of our office here between the annual sessions of the National Grange.

Mr. RAINEY. Are any members of the American Live Stock Association connected or associated with you?

Mr. ATKESON. A good many of our people are members of live stock and other farmer associations.

Mr. RAINEY. I mean, any of the officers.

Mr. ATKESON. I do not know. We have organizations in Colorado and Wyoming, Oregon, Washington, California—all the States except a few of the cotton States. Our organization used to be strong in the cotton States, but the Farmers Union and some other organizations displaced us in the cotton States.

Mr. RAINEY. Do you know whether members of the market committee are members of your board of directors?

Mr. ATKESON. The market committee?

Mr. RAINEY. Yes; this market committee that was formed by the American Live Stock Association back in 1916.

Mr. ATKESON. No; there are none of them members of our executive committee; there are only four members of the executive committee.

Mr. RAINEY. How about Mr. E. L. Burke, or deRiffles or Kent and Pinchot?

Mr. ATKESON. Mr. Pinchot is a member of the Grange; I think the other men are not.

Mr. ANDERSON. You referred to the power of the packers to fix the price of live stock at the markets. I want to call your attention to the statement in Swift & Co.'s analysis and criticism of the report of the Federal Trade Commission. The charge is that the packers act in concert to make and control the market. The evidence given in support of this charge is principally that the market on any given day does not settle down to a definite price until the large packers send their buyers out into the yard, and that these buyers of the large packers frequently stay off the market until 10 or 11 o'clock, or even after the noon hour. It is also alleged that when the packers enter the market late in the day the buyers of all the different companies go out into the yard at the same time.

I want to call your attention to this statement:

> As for staying off the market until late in the forenoon, we admit that that has occasionally been done, and that naturally we sometimes hold off this way with the hope of buying live stock at a lower price.

Now, with your knowledge of markets and marketing conditions, would you say, having in mind the proportion of stock, we will say, which Swift & Co. buy in the Chicago market, that their staying off the market would have the effect of lowering the price?

Mr. ATKESON. Is not that the logical conclusion? Wouldn't it have that effect? I think it would.

Mr. ANDERSON. They seem to admit here themselves that it would.

Mr. RAINEY. Is there anything wrong, Mr. Anderson, about trying to buy as cheap as possible?

Mr. ANDERSON. I am not saying it is wrong; I am trying to bring out the facts.

If you want to know my attitude on that question I will say that I do not think the packers are really as lily white as they paint themselves or as black as they say the Federal Trade Commission makes them out to be. [Reading:]

> There are some days when we are loaded up with all the live stock we want, or when the markets for dressed meats are in bad condition so that we know we have got to buy stuff cheaper if we possibly can, in order to make our normal profit of a fraction of cent a pound in disposing of our products.

That would indicate, would it not, that when they find that a market is not satisfactory from a point of view of what they can get for their product that they stay off the market until the price becomes lower; is not that the inference you would draw from that statement?

Mr. ATKESON. That is the inference, and it is also a demonstration that they can affect the market when they undertake to do it; and the only reason they do not drive the markets much lower than they do is because of the discouraging effect on the producer. If they drove it low enough it would destroy their future supply.

Mr. RAINEY. Do you know of any farmer, who, when he buys, trying to pay as high a price as he can; on the contrary, does he not attempt to buy at as cheap a price as he can?

Mr. ATKESON. I would think that he ought to be in an asylum somewhere if he paid any more than he had to.

Mr. ANDERSON. The difference between the farmer and this situation is that the farmer has no way of exercising a concerted force on the situation. He has to sell his stock when it is ready to sell, when it is ripe; wheres this indicates a concert of action whereby the entire buying power of the day is withdrawn for a considerable portion of the day and might be withdrawn altogether were it not for the fact that that would have the effect that you indicate, that eventually there would be no cattle at all to buy.

Mr. RAINEY. Do the packers preclude any organization or body of men or individual from going into the stock yards to buy whatever they want? Take, for example, the independent packers out in Chicago. They have access to the stockyards the same as anybody else to go in and buy. They may buy early in the morning or late in the afternoon. I think it is reasonable to suppose that all who buy try to buy as cheap as they can, and those who sell attempt to get as high a price as possible.

Mr. ANDERSON. That is begging the question, because it is assumed that somebody has buying power in the market that has none. The buying power is necessarily based upon the ability and facilities to slaughter what you buy, and consequently it is nonsense to say that there is opportunity for everybody to buy, when nobody has the facilities with which to handle what they buy.

Mr. RAINEY. How about the independent packers in Chicago? Have they not plenty of facilities?

Mr. ANDERSON. They have, so far as their capacity goes.

Mr. RAINEY. They have quite a large capacity.

Mr. ANDERSON. A very small proportion of the capacity, except on hogs; it amounts to very little on cattle.

Mr. Anderson, you referred to the profits of the packers. I have never been particularly interested in that phase of it, except that it has some bearing on the economic side of it. But in view of the questions Mr. Rainey asked you, I want to ask you one or two more questions.

If you know that it were a fact that a packing corporation had a capital stock of $20,000,000 and a net worth of $118,000,000, and if it appeared that they paid a stock dividend of $80,000,000 in one year out of earnings of the plant, would you say that that indicated a reasonable profit?

Mr. ATKESON. It is evident that they might render the service at a good deal lower profit than they are rendering it.

Mr. ANDERSON. If it appeared that another packing corporation earned on its net worth the equivalent of 33 per cent and in the same year issued a stock dividend of $25,000,000. Would you say that that was an indication of making a reasonable profit?

Mr. ATKESON. It might be reasonable from their standpoint, but some of us would be willing to retire at the end of the year if we could make a good deal less than that.

Mr. ANDERSON. If it appeared that in addition this packing corporation had increased its rate on its dollar sales from approximately 1 cent per pound in 1903 to 3.96 per dollar in 1917, would you think that that indicated a reasonable rate of profit on the dollar sales in 1918?

Mr. ATKESON. It seems to me a pretty good profit.

Mr. ANDERSON. It would be an exceptionally good profit, would it not, if during that period their gross sales were increased six times?

Mr. ATKESON. The matter of profit is one of percentage rather than aggregate. If they have $100,000,000 employed in the business and they make 3 or 4 or 5 or 6 per cent, which totals an enormous amount, yet no business man would say that that was unreasonable interest on the risk of the business and the investment in the business. and all that sort of thing.

I have never been quite so much interested in that phase of it as I am in taking from the packers their monopolistic control over the food supply of the country.

Mr. ANDERSON. I agree both in the matter of interest in the general subject and its importance from the standpoint of this inquiry, and I only asked you these questions because of the inquiry made by Mr. Rainey along the same lines.

The CHAIRMAN. The committee will now take a recess until 3 o'clock this afternoon.

(Thereupon at 12.15 o'clock p. m. the committee took a recess until 3 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to the recess at 3 o'clock p. m.

The CHAIRMAN. Mr. Bissonnette, we will hear you next.

STATEMENT OF MR. H. L. BISSONNETTE, PRESIDENT IOWA STATE UNION, AMERICAN SOCIETY OF EQUITY, CHARLES CITY, IOWA.

Mr. BISSONNETTE. Mr. Chairman, we have two or three points that we were meditating on putting before this committee. One of them is that we would like legislation on the packer proposition to protect the farmers in the line of feeding stock. They very often come to a heavy loss by putting cattle on feed and they are not protected in any way, shape, or form from the start in growing the crop, until they get the cattle on the market.

Our organization has also urged the ownership of the refrigerator cars by the railroads. I would state in regard to that that sometime last winter we observed that it was impossible for us to get a car to ship grains. I am not mentioning stock cars because we got stock cars fairly well, but the grain cars it was impossible to obtain, and of the grain in our part of the country possibly 40 per cent is in the granaries because we were not able to obtain cars to ship it out with.

And if it is not out of order, I would like to mention one point on the railroad proposition with regard to the scales in stockyards. In the State of Iowa, every scale in the stockyards along the Illinois Central Line has been sold to some individual dealer in stock.

Mr. MCLAUGHLIN of Michigan. By the railroad company?

Mr. BISSONNETTE. By the railroad company.

Mr. MCLAUGHLIN of Michigan. Did they ever belong to the packers?

Mr. BISSONNETTE. Not to my knowledge.

Mr. MCLAUGHLIN of Michigan. That was done by the railroad?

Mr. BISSONNETTE. By the railroad. A representative was sent out of Chicago to sell the scales out of the yards along the Illinois Central Lines, and they recently started to renting the yards to local dealers.

These are the three points I had to bring up before the committee.

I had nothing else in particular.

The CHAIRMAN. Was the renting of the yards to the exclusion of other dealers in stock?

Mr. BISSONNETTE. It gives the local dealers the opportunity of exclusive use of the yards; that is, they allot the yards, and the farmers up in our country are very apt to ship their own stock, and if they go to the stockyard with a load of stock they have to look up this local dealer to get into the yards.

Mr. WILSON. That was done by whom? I did not quite catch your point.

Mr. BISSONNETTE. It was done by representatives sent out from Chicago, somewhere along about 10 months ago, when it started.

Mr. WILSON. Sent out by whom?

Mr. BISSONNETTE. By the railroad commissioners.

Mr. WILSON. By the railroad commissioners?

Mr. MCLAUGHLIN of Michigan. The Federal Railroad Administration you mean.

Mr. BISSONNETTE. I think it was under the Federal Railroad Administration, about 10 months ago, if I remember right.

Mr. WILSON. I do not know whether the rest of the members of the committee get that information just as I do or not, but let me see if I thoroughly understand you. You say that the Railroad Administration sent out——

Mr. BISSONNETTE (interposing). I do not know——

Mr. WILSON. Let me see if I state it right, and then you can correct me if I am wrong. The Railroad Administration sent out agents who took possession of various stockyard stations at the different depots along this road and turned them over to some individual in that town, and before the farmers could use these yards at the railroad station they had to go and get the man who had charge of them and satisfy him before they could use them to load their cattle; is that the understanding?

Mr. BISSONNETTE. Yes; that is about as straight as you could put it, with this exception, and I would like to state it this way; that at the time the railroad official or agent came out there, it was stated to me like this: He was authorized by the railroad commissioners to come out there and sell these yards; or rather, sell the scales; and very recently in different parts, not on the Illinois Central but on other roads, the yards were rented to some individual who would allot the yards, and any time any farmer wanted to ship a load of stock, he would have to look up this individual who had the rental of the yards, or had rented the yards, to find the key to get into the yards for the accommodation of the loading of his stock.

Mr. WILSON. Would he have to pay for the privilege of using the yards in loading the stock?

Mr. BISSONNETTE. Yes.

Mr. WILSON. At different prices, I suppose, in different localities?

Mr. BISSONNETTE. Well, it runs systematically, as far as the scales are concerned, and the renting of the yards. The charge made for the purpose of using the yards I am really not familiar with. This information was sent us by different places in the State, and we had no reference to what charges they were making on the yards.

Mr. MCLAUGHLIN of Michigan. None of these yards you are speaking of was owned by the packers. These yards are along the line of the railroad and were formerly owned by the railroad company?

Mr. BISSONNETTE. Yes.

Mr. MCLAUGHLIN of Michigan. And it is evident, it seems to me, that an order was issued that all of these yards, including the scales, should be disposed of and sold, and agents were sent out to dispose of them and did dispose of them to private parties.

Mr. BISSONNETTE. The scales they did; yes.

Mr. MCLAUGHLIN of Michigan. And also the yards?

Mr. BISSONNETTE. They were renting the yards.

Mr. MCLAUGHLIN of Michigan. The Railroad Administration was renting the yards, but they sold the scales.

Mr. BISSONNETTE. I could not say it was the Federal administration that were renting the yards. It was the officials of the railroad who sent their representatives out to sell the scales, and from the same sources they are renting the yards now after the scales have been sold off from the Illinois Central Line.

Mr. HEFLIN. You do not say then that the Railroad Administration had this done?

Mr. BISSONNETTE. Not any more than to give the statement as it was given to me, that it was from the railroad officials who had authorized this agent to go out and to sell the scales.

Mr. HEFLIN. I understand you to say it was the railroad official, but you do not say the Railroad Administration at Washington sent him.

Mr. BISSONNETTE. No.

Mr. MCLAUGHLIN of Michigan. Do you know whether it was the Railroad Administration?

Mr. BISSONNETTE. I could not say.

Mr. HEFLIN. They simply told you that the railroad officials told him to do that?

Mr. BISSONNETTE. Yes.

Mr. TINCHER. Before the Government took the railroads over, the railroads maintained scales at the stockyards to weigh cattle.

Mr. BISSONNETTE. Yes, sir.

Mr. TINCHER. Now, I do not know when it happened in your community, but within six months after they were taken over, the railroads commenced taking out the scales at the stockyards where they had stockyards, and selling or disposing of the scales, and they refused to permit organizations of farmers to put in scales at the stockyards on railroad property.

Mr. BISSONNETTE. I could not say——

Mr. TINCHER (continuing). Let us see if this is right. Of course, the shipper made his complaint to the railroad officials and the railroad officials called attention to an order issued by a man by the name of McAdoo, who was Director General of the Railroads, which directed them to do that, and then this man, McAdoo, said that he did it at the request of the railroad officials because they never wanted to maintain the scales anyway, and they passed the buck back and forth and gradually came East with the proposition of taking out railroad scales. Now, do you mean to say that they have gotten down to the point where they are renting the stockyards in some of the smaller places?

Mr. BISSONNETTE. Yes; they do.

Mr. TINCHER. Then no wonder the folks want the railroads to go back. I did not know they had done that. I knew about the scale business.

Mr. HULINGS. Before the Government took over the railroads, the railroads owned these yards and scales, did they?

Mr. BISSONNETTE. I could not state just when the Government took over the management of the railroads.

Mr. HULINGS. Well, before that time.

Mr. BISSONNETTE. This instance I am speaking of happened some time in June of last year.

Mr. HEFLIN. 1919?

Mr. BISSONNETTE. 1919.

Mr. HULINGS. What charge had been made before they made this change with reference to the scales and yards? What charge did the shippers pay for the use of the yards and scales?

Mr. BISSONNETTE. They never paid anything.

Mr. HULINGS. Have they had to pay since?

Mr. BISSONNETTE. We ourselves have to pay for the use of the scales. It is now in the yards and owned by the local dealer.

Mr. HULINGS. Might not the arrangement be nothing more than simply an arrangement by the Railroad Administration to have these yards and scales handled by some other person under lease?

Mr. BISSONNETTE. You mean to say——

Mr. HULINGS (interposing). That is, putting it in the hands of some other person to handle it for them.

Mr. BISSONNETTE. These scales in our town—and I find them the same as far as I have gone along the Illinois Central Line—were sold for a certain amount to a certain local dealer, and this local dealer has the scales tested with a tag put on, and is allowed to charge for weighing the stuff that is put over the scales.

Mr. HULINGS. And that is a charge which the shipper did not have to pay?

Mr. BISSONNETTE. Not prior to this deal.

Mr. MCLAUGHLIN of Michigan. You say "allowed," if he has bought and paid for them and they are his would you say "allowed" to charge? They are his and he operates them as he pleases, does he not?

Mr. BISSONNETTE. It seems so; yes.

Mr. HULINGS. They might have been sold on condition that he would not charge more than so much.

Mr. TINCHER. The Santa Fe Railroad Co. refused to let anyone put scales on their right of way or property when they took out their scales, but I suppose the Illinois Central has adopted a different rule, from what you say.

Mr. BISSONNETTE. Well, I will be frank about it, gentlemen, the Illinois Central has granted us a piece of ground to locate our own scales on, in connection with this yard. We have the scales bought and are ready to put them in as quickly as the frost is out of the ground. So we will have two scales in connection with these yards in our town.

Mr. ANDERSON. And one scale would be enough, would it not?

Mr. BISSONNETTE. Yes, sir.

Mr. MCLAUGHLIN of Michigan. What kind of legislation would you think proper and necessary?

Mr. BISSONNETTE. Well, for the accommodation of the railroad and for the purpose of maintaining the trade connected with the railroad, I should think it would be proper for the railroad to own the scales and the yards, both.

Mr. TINCHER. If there is any competition, they have to.

Mr. BISSONNETTE. Yes.

Mr. MCLAUGHLIN of Michigan. Well, we are speaking about legislation now. Would you suggest some kind of legislation requiring a railroad to maintain yards and to maintain scales?

Mr. BISSONNETTE. I should think that would be the proper way, in order to have them maintain the yards and scales.

Mr. ANDERSON. As I understand it, prior to Federal control the State commission or the Interstate Commerce Commission, either one, depending upon the circumstances, would have the power to require them to furnish adequate facilities, and among the facilities which they might require them to furnish would be track scales and loading facilities for stock. Of course, when the Railroad Administration came along the powers of the State commissions and the Interstate Commerce Commission were, in large measure, suspended, and while they were suspended the Railroad Administration proceeded to permit or to direct or to require these instrumentalities to be removed from the railroad property; am I correct about that?

Mr. BISSONNETTE. That is the way I understand it; yes.

Mr. ANDERSON. May I ask how extensive this separation of the railroads from their control of the stockyards and stockyard scales is? Do you know whether it has been done in more than one place?

Mr. BISSONNETTE. Yes; absolutely.

Mr. ANDERSON. So far as you know, it is the general practice on the Illinois Central?

Mr. BISSONNETTE. It is the general practice on the Illinois Central; but, aside from the Illinois Central, I do not know of a scale that has been sold.

Mr. ANDERSON. I understood Mr. Tincher to say that the same thing had been done in Kansas.

Mr. BISSONNETTE. Yes; that was the first I had heard of any other road taking up that matter.

Mr. TINCHER. The Santa Fe and the Missouri Pacific both—all over Kansas.

Mr. ANDERSON. I understood you to say that your organization was in favor of making the refrigerator car a public utility, so that it would be available for the use of everybody on the same conditions.

Mr. BISSONNETTE. That is what I was referring to; yes.

Mr. ANDERSON. Is your organization in favor of the packers continuing to own the stockyards?

Mr. BISSONNETTE. The packers continuing to own their terminal yards?

Mr. ANDERSON. Yes.

Mr. BISSONNETTE. The Iowa State Union of the American Society of Equity has indorsed the recommendations of the Federal Trade Commission to correct the evils found to exist in the meat-packing industry, particularly that the Government acquire the principal and necessary stockyards through the Railroad Administration. As the railroads have been returned, these yards should be owned by the railroads. We are opposed to permitting them to remain in packer ownership.

Mr. MCLAUGHLIN of Michigan. In regard to these refrigerator cars, would you favor a law forbidding the packers to build, own or operate their own refrigerator cars, or would you provide for that, and in addition require the railroads to furnish suitable cars and a proper number of them?

Mr. BISSONNETTE. The only reason we have for taking this matter up in this way is to give service from one side to another, for the reason that we find sometimes that a train will be loaded with refrig-

erator cars while grain cars are not available. We could not but believe from that that the railroads were favoring the moving of refrigerator cars instead of moving grain cars, which the farmers were wanting in order to move their grain.

Mr. McLAUGHLIN of Michigan. Then, generally speaking, preference is given to refrigerator cars, is it not?

Mr. BISSONNETTE. I have no choice, really, as to who owns the refrigerator cars, provided we get a distribution of the business on an equal footing for the producers.

Mr. McLAUGHLIN of Michigan. Have you any knowledge on the matter I speak of? Has it not been the custom for railroad companies to give preference to the movement of refrigerator cars over other cars?

Mr. BISSONNETTE. That is my impression.

Mr. McLAUGHLIN of Michigan. Many times the refrigerator cars contain perishable products. Do you think it would be right or not to permit or to provide that refrigerator cars carrying such products should be given preference over cars carrying other kinds of freight?

Mr. BISSONNETTE. Yes; if they are carrying perishable products I think it would be preferable to move that car first, of course, but there should be some limitation made in some way so as to get the cars needed by the producers to move the crops; not saying that we ought to have a car at any time we have a load to move, but when a crop is laying in the granaries so we can not get it to market it rather discriminates against the producers.

Mr. McLAUGHLIN of Michigan. You say that about 40 per cent of the wheat crop is still in the granaries on account of lack of cars?

Mr. BISSONNETTE. I beg your pardon. We do not have any wheat, much.

Mr. McLAUGHLIN of Michigan. Other kinds of grain?

Mr. BISSONNETTE. Yes; we raise very little wheat.

Mr. McLAUGHLIN of Michigan. What kinds of grains are they?

Mr. BISSONNETTE. Barley, oats, corn, etc.

Mr. McLAUGHLIN of Michigan. And of those three crop together you estimate that 40 per cent of the yield is still in the granaries for want of cars?

Mr. BISSONNETTE. Forty per cent of the marketable part of this crop. We consume a lot of these crops on the farm.

Mr. McLAUGHLIN of Michigan. Certainly.

Mr. HEFLIN. To meet the evil you complain of, it seems to me it would be necessary to require the railroads to furnish cars to move the perishable property, fruits, for instance, using refrigerator cars, and also to have cars sufficient to move the other crops. It does not make any difference what the product is, the railroad freight cars ought not to be used exclusively for the moving of one crop while another crop is being destroyed.

Mr. BISSONNETTE. Certainly not.

Mr. HEFLIN. Or the price depreciating in value.

Mr. McLAUGHLIN of Michigan. You did not enlarge at all on the first proposition you stated, in regard to seed and food, and you made your proposition pretty broad. You spoke of the seed from

the beginning of production; will you tell us a little more fully what you mean by that?

Mr. BISSONNETTE. I meant that from the time a man puts his seed in the ground up until the time it was put on to the terminal markets.

Mr. MCLAUGHLIN of Michigan. What is there about it? What is the fault and what remedy do you suggest?

Mr. BISSONNETTE. I was referring to the chances the farmer, or the producer, has to take, for the reason that when a man puts a crop in the ground he is taking chances on the seed, and from that time on he takes chances upon himself until it has reached the terminal market.

Mr. MCLAUGHLIN of Michigan. Yes.

Mr. BISSONNETTE. And we would like a little protection along the line of making agricultural work more interesting and more basified in some way, so that the men who are trying to produce will be protected.

Mr. MCLAUGHLIN of Michigan. What would you suggest?

Mr. BISSONNETTE. Well, not being familiar with the passage of the different laws, we have representatives who are elected from our section of the country.

Mr. MCLAUGHLIN of Michigan. Well, this is a very wise committee, and they are very willing, but with all that they need suggestions or like to have them at any rate.

Mr. BISSONNETE. That is true.

Mr. MCLAUGHLIN of Michigan. What legislation do you think would be helpful to you to overcome the difficulties confronting you and minimize the chances of losses that you are taking?

Mr. BISSONNETTE. Taking up a part of the packer proposition, fluctuation of price is a big detriment to the feeders.

Mr. ANDERSON. Would you say that if we had public supervision of the yards and of the industry generally that that would have a tendency to minimize these fluctuations?

Mr. BISSONNETTE. I would think so.

Mr. MCLAUGHLIN of Michigan. That might be true as to live stock, but did you have in mind generally crops of the farm?

Mr. BISSONNETTE. It is the live-stock proposition with us, because our State is very productive along the line of live stock.

Mr. MCKINLEY. Some of the farmers objected to a fixed price; for instance, on wheat, and a fixed price on hogs. Is it your idea that you want a fixed price?

Mr. BISSONNETTE. No; not at all.

Mr. MCKINLEY. How can you protect yourself if you do not have a fixed price?

Mr. BISSONNETTE. Well, we have in mind that perhaps by legislation controlling the packers you would stop some of the fluctuation that is detrimental to the feeders.

Mr. MCKINLEY. That would be a fixed price, then, would it not?

Mr. BISSONNETTE. Not necessarily, I would think.

Mr. WILSON. How could you stop fluctuations without a fixed price?

Mr. BISSONNETTE. Well, as I said before——

Mr. HEFLIN (interposing). What you are getting at is that you want an open market where competitive buying takes place?

Mr. BISSONNETTE. Yes.

Mr. WILSON. No; that is not what he wants. He wants to be sure of a certain value for the animal he raises when he sends it to market.

Mr. BISSONNETTE. We only ask for the cost of production, provided there is a way at some time or other of getting a little profit on it.

Mr. WILSON. I understand that; but the cost of production is very different in different years.

Mr. BISSONNETTE. I will agree with you there, too; and through legislation we had in mind that we might kind of follow up the different years and the propositions we come in contact with as we go along.

Mr. WILSON. The way it appears to me from your testimony, while I do not know just exactly what you are driving at, it seems to me the only way you could be assured of profit would be to set some particular price on your animal when you brought it to the market. For instance, one year your corn is 60 cents a bushel when you feed it, and another year it may be $1.20 a bushel when you feed it. Your expense in feeding the animal differs as years go along.

Mr. BISSONNETTE. Yes; that is true.

Mr. WILSON. I do not know how we are going to legislate so you can get a profit out of your stuff. It seems to me that is a business proposition that each individual must handle; to some extent, anyway.

Mr. MCLAUGHLIN of Michigan. I think the gentleman has in mind, as they must necessarily take their chances on the weather and so on, that they are willing to take their chances on natural changes in market conditions and prices, but he may object to manipulation and arbitrary changes by men who are working for themselves alone to the detriment of the grower or the producer of the product.

Mr. WILSON. Well, he may have that in mind, but I did not catch that idea as he went along.

Mr. MCLAUGHLIN of Michigan. The gentleman is very well able to speak for himself, but I just gathered that as he went along and thought perhaps that was his idea.

Mr. BISSONNETTE. We are not asking for anything only along the line of a democratic proposition that might help the farmer and encourage agricultural work, and which might put things on a basis so that the farmers can partly depend on what they are going to reap out of their crop.

Mr. HEFLIN. In other words, the establishment of a fair and open market?

Mr. BISSONNETTE. Yes.

Mr. HEFLIN. With some stabilizing influence to keep the prices from fluctuating up and down continually. That is what you are driving at, is it not?

Mr. BISSONNETTE. Yes; we are trying to establish some system through the organization to hook up all shipping organizations which will govern the flow of stock onto the market. That might help or stop the fluctuation on this market to some extent.

Mr. WILSON. Has there not always been a great fluctuation in the market on stock and grain and everything?

Mr. BISSONNETTE. Yes; I will agree with you there.

Mr. WILSON. What is the cause of this fluctuation, in your opinion?

Mr. BISSONNETTE. Some of it is caused by shipments being too numerous at one time.

Mr. WILSON. Well, who is to blame for that?

Mr. BISSONNETTE. The men who are shipping the stock.

Mr. WILSON. Is it not the matter of supply and demand that has more to do with that fluctuation than almost anything else?

Mr. BISSONNETTE. It is not the supply and demand so much as it is the habit of the farmers moving stuff around about the 1st of March and unloading whatever they do not care to keep, which overloads the market at that time of the year more or less.

Mr. MCLAUGHLIN of Michigan. Would you suggest a correction of that trouble by some kind of governmental control or by permission to farmers to do collective bargaining?

Mr. BISSONNETTE. Yes.

Mr. MCLAUGHLIN of Michigan. Is that the idea?

Mr. BISSONNETTE. That is the idea I would like to see legislation on.

Mr. MCLAUGHLIN of Michigan. I think you have that permission now under the law.

Mr. BISSONNETTE. Yes; we have; not very much protection, but we have the permission.

Mr. MCLAUGHLIN of Michigan. What kind of protection would you look for? If the matter is in the control of the organizations of the farmers and producers of all kinds, and they can ship wherever they please and to whatever market they please such quantities as they please, what control would you suggest other than what the associations have?

Mr. BISSONNETTE. Well, there is one way it cuuld be helped to some extent, in my judgment, if the Government would assist some——

Mr. MCLAUGHLIN of Michigan. I did not understand that.

Mr. BISSONNETTE. If we could get a little legislation through the Government for the prevention of speculation during the marketing of this product off of the farm, I think it would help the fluctuation to a certain extent.

Mr. HEFLIN. You mean you would oppose the selling of futures on the exchanges of farm products and confine the sales to the actual product as to spot dealing?

Mr. BISSONNETTE. No; I do not mean that. We have some trouble in getting to the point where this product off of the farm can be handled on a democratic basis through to the consumer.

Mr. WILSON. You want to do away with the middleman; is that the idea?

Mr. BISSONNETTE. Well, there are certain cries to do away with the middleman, but the middleman in some positions is necessary.

Mr. WILSON. How are you going to discriminate? I wondered if you have given this matter such thought that you could make a suggestion as to the manner in which we could discriminate in eliminating the middleman.

Mr. BISSONNETTE. I do not know that I made any statement in regard to discriminating about the middleman.

Mr. WILSON. No; I made that statement myself. You were talking about developing something that would place the farm products into the hands of the consumer. I thought you said something about that.

Mr. BISSONNETTE. Yes; I did.

Mr. WILSON. I wondered if your idea was to do that and not have it go through another trader or through a middleman, so to speak, some merchant or commission man, or something like that; was that your idea?

Mr. BISSONNETTE. Well, the farm product, as I see it, has got to go through a certain current to get to the consumer.

Mr. WILSON. That is the practice now. There is no doubt about that.

Mr. BISSONNETTE. Yes.

Mr. WILSON. All of us, who are consumers, know that.

Mr. BISSONNETTE. And I will agree that there are places where there is unnecessary expense along the line of the current of this product going to the consumer. There may be some points of that kind. I am not here to discuss those matters.

Mr. MCLAUGHLIN of Michigan. You say you want a democratic method of handling this business. You have had democratic control of the railroads and they took the stockyards and scales away from you.

Mr. HULINGS. You do not mean that kind of democracy.

Mr. BISSONNETTE. No; I did not mean that kind of democracy.

Mr. MCLAUGHLIN of Michigan. He did not say that he did not mean that kind of democracy, but that he does not like that kind of democracy.

Mr. WILSON. Well, it is not likely that we will have it much longer.

Mr. MCLAUGHLIN of Michigan. It was thought that the farmers benefited by collective bargaining in all its phases, and that they wanted it, and this committee so framed the law that they could have it and exercise that right if they wished to. Of course, in the matter of controlling the product after it reaches the market, we are talking in this hearing about the packers, and maybe there is something to be done to help the producers in that respect.

Mr. BISSONNETTE. Yes; as I said a little while ago, in selling the scales out of these yards along the railroad, they were sold to local dealers who formerly were in business before the farmer organizations started in at the local points, and the yards were also rented to local dealers, and that made it very inconvenient for the farmer organizations that were shipping their own products, stock, etc., because they had to look up this local dealer for the keys to the yards when they were ready to ship out a load of stock.

Mr. MCLAUGHLIN of Michigan. I think as to that particular matter that Mr. Anderson has stated the situation correctly, and that the Interstate Commerce Commission, or your State commission, can correct and require the railroad companies to furnish proper facilities and to maintain them and to operate them properly, and included in those facilities are yards and scales. I would think that would be the judgment of the commission.

Mr. BISSONNETTE. You would naturally think so.

Mr. HULINGS. You mean that would be the case after the railroads got back to their owners.

Mr. MCLAUGHLIN of Michigan. I was speaking of the influence and the authority that the Interstate Commerce Commission has had, and it is to have that authority under the new bill, if it becomes

a law, and if Mr. Anderson is right, and I think he is entirely right, legislation would not be needed along that line; but it is a very important matter and I am pleased to have you speak of it.

The CHAIRMAN. I understood you to say that the railroads had agreed to furnish you with a site for the scales?

Mr. BISSONNETTE. Yes.

The CHAIRMAN. You are about to build one?

Mr. BISSONNETTE. We have already purchased our scales.

The CHAIRMAN. That will take care of the situation in your locality.

Mr. BISSONNETTE. Yes, sir.

The CHAIRMAN. Aside from the expense of procuring and building the scales, you will be taken care of as well as before, but how about other stations where they have no organization like yours? I understand you have a large organization.

Mr. BISSONNETTE. I do not believe that will be the case with some of the organizations recently started, for the reason that they have no funds in their treasury to go ahead and get these things.

The CHAIRMAN. In localities where they have no cooperative arrangements there would be no way of providing for the scales, because, of course, a farmer could not build the scales for one single shipment.

Mr. BISSONNETTE. No, sir.

The CHAIRMAN. Hence he would be compelled to sell.

Mr. BISSONNETTE. They would be compelled to sell and to pay for the use of the scales already in the yards until they have means to do their own shipping.

The CHAIRMAN. They will be inconvenienced somewhat?

Mr. BISSONNETTE. Yes.

The CHAIRMAN. Is the view taken that this arrangement probably was for the purpose of inconveniencing the farmers or the individual shippers?

Mr. BISSONNETTE. The view taken of it is the inconvenience thrown onto the farmer in taking his stock to the yards and having no place to weigh his stock unless he hires the scales of the local dealer.

Mr. MCLAUGHLIN of Michigan. I would think the railroad company would insist on having its own scales and overseeing the weighing themselves. Of course out in Iowa everything would be honestly weighed, but there are other States in the Union.

The CHAIRMAN. Have you any evidence as to whether packers or other interests were back of this movement?

Mr. BISSONNETTE. No; I could not give any evidence any more than the natural current opinion that is out through the country.

The CHAIRMAN. What is the general opinion?

Mr. BISSONNETTE. The general opinion is that the packers and railroads together are trying to throw the business back into the old local dealers' hands, although about 62 per cent of the stuff goes into Chicago from Iowa under the cooperative organization business plan.

The CHAIRMAN. The consensus of opinion is that it will be a great inconvenience to the shippers and the farmers in general?

Mr. BISSONNETTE. The general opinion is that the packers and railroads are trying to discriminate against the farmers' organizations.

Mr. WILSON. How could that be when the railroads were under the control of the Government, the present administration, when this very act was committed.

Mr. BISSONNETE. That is a question I can not answer definitely.

Mr. WILSON. You say you can not answer that. I just wondered how it could be done when they did not have anything to do with it at all. Neither the railroads nor the packers had anything to do with this very proposition. It was all done by the Director General of Railroads under the orders which he had issued, judging from what Mr. Tincher has said.

Mr. BISSONNETTE. I was just giving the general opinion of the different men throughout the country.

Mr. ANDERSON. Mr. Chairman, before the committee adjourns I would like to read one thing into the record, because I would like some light on it later on. I have here a news item from the New York Evening Telegram, which begins as follows:

The ninth consecutive investigation of the "Big Five" packing concerns of Chicago was agreed to to-day by the House Committee on Agriculture after an angry dispute between the chairman of the committee, Representative Haugen, of Iowa, and Representative John T. Rainey, Democrat, of Illinois.

I will not read the rest of it and I only read the portion I have read for the purpose of calling attention to the language, "the ninth consecutive investigation of the Big Five packing concerns." That language, I think, also appears in some literature which has been sent broadcast by the Institute of American Packers, and I should like to have someone, at the proper time, advise the committee just what these nine investigations referred to are and where they took place. I would like also to say, so far as I am concerned now, that the committee is not conducting any investigation, that it has no powers to subpœna witnesses, that nobody has been required to appear before it, and everybody who has or will appear before it, will appear voluntarily on their own account. I do not regard it is an investigation, but as a hearing upon legislation which, I supposed, everybody concerned in the matter, desired.

The CHAIRMAN. The committee will now recess until Monday morning at 10 o'clock.

(The committee thereupon took a recess until Monday, March 1, 1920, at 10 o'clock a. m.)

X

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

MONDAY, MARCH 1, 1920

PART 5

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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MEAT PACKER LEGISLATION.

THE COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Monday, March 1, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

Mr. ANDERSON. On Saturday afternoon I read into the record a newspaper article relative to the eight or nine investigations of the packing industry. Mr. Lightfoot, of Wilson & Co., would like to make a statement with regard to that article.

Mr. LIGHTFOOT. Mr. Chairman and gentlemen, I desire to make this suggestion at this time in order that it may appear immediately after the remarks of Mr. Anderson as to whether or not the Institute of American Meat Packers had anything to do with the newspaper article appearing in a New York afternoon newspaper in relation to nine hearings that had been conducted with regard to the meat-packing industry during the last two years, five of which have been held within the last 18 months. I desire to say that I have had the matter investigated and that the Institute of American Meat Packers had absolutely nothing to do with the article.

In that connection I should like also to call attention to the fact that Congressman Rainey read into the record on the first day of these hearings a newspaper article which set forth eight hearings that had been conducted on the meat-packing industry during the last years since April 30, 1916. The packer industry has been the subject of not less than eight congressional hearings, five of which were held within the last year.

The first began April 3 and closed June 6, 1916; the second, the Senate Agricultural hearing, February 14–15, 1918; the third, Senate Agricultural subcommittee, September 17 to 28, 1918; the fourth, House Committee on Interstate and Foreign Commerce, December 19, 1918, to February 13, 1919; the fifth, Senate Agricultural Committee, January 13 to February 13, 1919; sixth, Senate Committee on the District of Columbia, conducting an investigation in relation to the high cost of living, July 21 to September 16, 1919; the seventh, Senate Agricultural Committee, August 18 to September 13, 1919; and the eighth, the Joint Committee of Agriculture of the House and Senate, September 25, 1919. I presume that this hearing was the ninth hearing that was alluded to by the correspondent in relation to this matter. At any rate, I desire to say for the information of the committee that usually when any statement is given out by the Institute of American Meat Packers it either appears over their name or their name appears in connection with it in such a way that the

public may know that they are responsible for it, but so far as the items appearing in either of the papers in relation to the number of hearings, the Institute of American Meat Packers has had nothing to do with their preparation or dissemination.

The CHAIRMAN. Have you reference to certain articles that have been placed in the record?

Mr. ANDERSON. The one I introduced.

The CHAIRMAN. At the last hearing?

Mr. ANDERSON. Yes, sir.

Mr. LIGHTFOOT. The one Mr. Anderson introduced.

Mr. RAINEY. I read that article from one of the Washington papers when we started these hearings to show that we had seven, eight, or nine hearings previous to this one, and this was practically covering the other hearings that were held.

Mr. ANDERSON. In that connection I should like to read an extract from a letter addressed by Mr. E. L. Burke to Mr. O'Donel, with Mr. O'Donel's permission?

Mr. O'DONEL. All right.

Mr. ANDERSON (reading):

> Immediately after I saw you this p. m. I learned from the president of the United States National Bank, Mr. J. L. Kennedy, that Maybury, Swift's manager at Omaha, had just requested him to wire Haugen protesting against the action of the House committee in denying the packers a chance to be heard on the Anderson bill.

That is all I want to read from that letter. I read that only for the purpose of showing that there seems to be a belief among some people that there is some disposition to deprive the packers of a chance to be heard.

Mr. VEEDER. Mr. Maybury is the agent of Swift & Co. Swift & Co. have never made any statement, and there is certainly some misunderstanding on the part of Maybury as to the committee denying anybody a hearing.

The CHAIRMAN. I was not aware that anybody had been denied a hearing.

Mr. VEEDER. I did not.

Mr. WILSON. That is a mistake.

Mr. ANDERSON. It is evidently propaganda which seems to be spreading over the country that does not seem to have any relation to the facts, because on the one side we are jumped on because we are having the ninth consecutive investigation and on the other side because we are not giving the packers a hearing at all. There is something wrong somewhere. I do not know where it is.

Mr. WILSON. There is a misunderstanding somewhere. I have not heard that anybody was objecting to the procedure here.

Mr. TINCHER. I do not think that I have been absent from the hearing at all, and I would like to know when the argument came up that the newspapers have featured, and I did not hear the fight between Mr. Rainey and Mr. Haugen that has been featured.

Mr. RAINEY. I do not know of any fight that occurred or any quarrel. The newspaper article which I read spoke about these hearings having been held previously, seven or eight or nine of them, and that they were covering the same matter that we were going into. There was no disposition on the part of the packers to oppose

the hearing. They only wanted, if we were to proceed, to have an opportunity to present their side of the case.

Mr. VEEDER. Nobody objected.

Mr. RAINEY. There was no difference of opinion, so far as I know.

The CHAIRMAN. The record will show exactly what took place.

STATEMENT OF MR. CHARLES M. O'DONEL, BELL RANCH, N. MEX.

Mr. O'DONEL. Mr. Chairman and gentlemen of the committee, I will state that I have been engaged actively in the ranch-cattle business for 35 years, in the present locality for nearly 22 years, as manager of the Bell Ranch. I am also the first vice president of the American Live Stock Association. That association is composed for the most part of local associations, State associations, and it also has some individual memberships. It includes such associations as the Texas Cattle Raisers, with a membership of about 4,000, the Pan Handle and Southwestern, with a membership, I believe, of something like 1,000; the New Mexico Cattle and Horse Growers, with a membership of several hundred; the Arizona Association of Cattle Growers, the State associations of Colorado, Kansas, Wyoming, Montana, California, Oregon, and Washington, practically all of the States west of the Missouri River. Nebraska is also represented.

I am also a member of the market committee of that association. The market committee was formed four years ago, in 1916, for the purpose of performing all duties in connnection with live-stock markets.

I should like to file here the report of market committee of the American National Live Stock Association, presented to the convention at Spokane, Wash., January 27, 1920, at the twenty-third annual convention of that association, with the history of the activities of the market committee since its creation.

The CHAIRMAN. How much is there of it?

Mr. O'DONEL. That pamphlet [indicating].

Mr. MCLAUGHLIN of Nebraska. This report has not been printed in anything?

Mr. O'DONEL. No, sir; that is new matter. The former reports of other years have been printed in other hearings.

The CHAIRMAN. Without objection, the report of the market committee will be incorporated in the record.

(The report of the market committee follows:)

REPORT OF MARKET COMMITTEE OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION.

TWENTY-THIRD ANNUAL CONVENTION.

SPOKANE, WASH., *January 27, 1920.*

To the president, executive committee, and members of the American National Live Stock Association:

It is a privilege to present to you the fourth annual report of your market committee. Fortunately you have had the benefit of your own official organ, The Producer, since June, 1919. It is a credit to the association and supplies a long-felt need. Inasmuch as you have, through it, been kept quite fully informed regarding the market committee's activities, it will be unnecessary for us to go into as much detail as usual in our annual report. We shall, rather, deal with the larger aspects of the problems to which we have, to the best of our ability, devoted our energies.

Four years ago, at El Paso, when the market committee was first created, this association started a movement which was destined to produce results of tremendous import to our industry, to the country, and to the whole world. We have been dealing with world forces. Whatever involves the equitable distribution of the food supply produced by this Nation involves the economic welfare of men everywhere.

Reduced to its simplest terms, the problem we have been attempting to solve is simple enough. It is nothing more nor less than whether this democracy shall permit a few men of unlimited power and unlimited wealth to stand between the producers of foodstuffs on the one hand and the consumers on the other and dictate the terms on which each shall live. In other words, shall measures be taken to restore competition and free markets for live stock and the products of live stock? The market committee have never had any doubt where the American people would stand if the matter could once be placed fairly before them. The forces of reaction appreciate this and have spared neither time nor treasure in a desperate effort to prevent the issue from being clearly defined. They have raised many false ones, and the process of educating the people and developing a public sentiment that would demand reform has been a slow and tedious task. That has been our job. Enough had been accomplished by the time the war intervened in April, 1917, to put the country on its guard. As a result the packers were put under Federal license, thereby saving the people many millions of dollars. Loose as the control was, it exerted a real restraining influence and established the valuable precedent of government regulation. The summary of the report of the Federal Trade Commission in July, 1918, and the subsequent installments were a revelation to the country as to the real character of the packer monopoly. The free discussion in the daily press and the farm journals of the packer-regulation bills introduced in Congress have been of great educational value. The monumental advertising campaign of the packers has directed attention to the subject and, possibly, has had the opposite effect from what was intended. As the cost of living has mounted and the food problem the world over has become of absorbing interest, there has come to be a much better understanding of the packer menace. In ever-widening circles the demand has grown for legislation which will secure economic justice for all.

During the war there were many diversions. It was an emergency and a time for temporary measures so as to get by. The entire live-stock industry, including the packers, necessarily was put on an emergency basis. Both producers and packers did their full share—they delivered the goods. But since the fighting ceased, industrial conditions the world over have been and are chaotic. To-day, with wild governmental and economic theories and practices rampant in Europe, with some of the nations powerless to feed their starving people owing to the peace terms imposed on them, with the system of distribution in Europe not functioning in many places, even where there are supplies, and no system of international credits worked out so that our own surplus food products can go freely to Europe, the situation is such that no man is wise enough to foretell with any degree of certainty what our own economic future will be, much less that of other nations. There are, however, indications that progress is being made. The entry of the great banking house of J. P. Morgan & Co., with its associates, into the field as international merchants, prepared under the Edge bill to furnish credits on a vast scale to foreign buyers of our products, the plan of our Government to finance Austria and other central European peoples to the extent of one hundred and fifty to two hundred million dollars for purchasing our food products, the call for a great international conference to find a remedy for the financial and commercial chaos caused by the war, all promise better times ahead. Our industry will be one of the first to benefit. Stock men and farmers as a class have alone maintained production, obviously to their own relative disadvantage. A continued broad export demand is essential to take care of our surplus live-stock products and restore the proper balance.

In all this confusion your market committee, during the past year, have worked steadily toward placing the live-stock industry on a sound economic basis through legislation. You will recall that a year ago you passed a resolution urging both producer and consumer to vigorously support a measure in line with the proposed Kendrick bill, S. 5305, and you also directed us by resolution to cooperate with other live-stock and farm organizations. We did so, and went further by awakening the interest of consumers' organizations, like the National Consumers' League and various other organizations. These people

had ideas of their own regarding the scope of the legislation. The Kendrick bill did not go far enough to suit them. They came in force to Washington early in 1919, determined to have their views recognized in the bill. The result was that on June 19, 1919, Senators Kendrick and Kenyon each introduced bills in the Senate which were in the main very similar and quite in harmony. The Kendrick bill was strengthened and improved in some of its details. To meet the more radical views the Kenyon bill went considerably further than Kendrick's. For all practical purposes the bills should be considered together, especially as they have recently been merged by their authors into one bill, known as "An act to create a Federal live-stock commission." The Kendrick and Kenyon bills, as they are popularly known, have furnished the storm center around which the battle has waged for the last nine months. First, in order to discredit the bills, the packers, assisted by the commission men and the stockyards' press, spent money lavishly in wholesale advertising which thoroughly misstated the character of the legislation and the attitude of the great body of producers regarding it. The fierceness with which the packers attacked the bills, and the great campaign of misrepresentation, are probably without precedent in our legislative annals. A systematic attempt was also made to prevent live-stock associations from indorsing the bills, with the result that a few of the State associations were divided, while nearly all of the important live-stock and farm organizations in the country have gone on record in favor of some sort of Federal regulative legislation. The list is too long to recount here in detail. Besides these agricultural organizations, the National Consumers' League and the farmer-labor conference of November 21–22 have indorsed the Kenyon bill. The former has entered the field and is doing effective work for Federal regulative legislation of the packers.

Early in March, 1919, the packers launched a thoroughly worked-out plan for a joint committee of the packers, producers, and commission men, including a Government representative, ostensibly for working out problems of mutual interest and stabilizing the markets for live stock. Under the plan the live-stock producers would have held a minority vote. Your President and the market committee realized that such a committee might easily be used to block legislation, and by prompt action the plan was frustrated, and in its place there was organized a strictly producers' committee of 15, which, after several meetings with the packers, voted to turn over its functions to the National Farm Bureau Federation.

The hearings on the Kendrick and Kenyon bills before the Senate Agricultural Committee commenced on August 18 and continued until September 13. The Federal Trade Commission first testified and gave the bills vigorous support. The packers, with their host of inspired and uninspired witnesses, followed. They were primed, and attacked the bills in force. Fortunately, their ammunition was as deficient in quality as it was large in quantity, as two very large volumes of the Senate hearings, filled mostly with their testimony, attest. The policy was to overwhelm the committee with an avalanche of witnesses. Your market committee, with its limited resources, met the situation as best it could. In August we met in San Francisco and sent a statement to the chairman of the committee (Exhibit A) and a letter to the President (Exhibit B), which were given considerable publicity, and which not only exposed the reprehensible methods of the packers, but stated the real character and purpose of the bills. When the opposition had finally finished, the members of the market committee and other representative stockmen appeared before the Senate committee in rebuttal and testified for the bills. Our testimony has been published in pamphlet form and has been sent to the members of our association. Several leading farm journals have quoted from it.

The consideration of the peace treaty and the adjournment of Congress delayed consideration of the bills. Meanwhile the Attorney General was pressing his antitrust case against the packers. He was ready to place the matter before the United States grand jury sitting in New York in November and December. He fully expected to show that the packers were guilty of violating the antitrust laws. They were between two fires. On the one hand, effective governmental regulation; on the other, prosecution by the Department of Justice. The wholesale grocers were pressing. The public was demanding action. The opportunity to submit to the terms dictated by the Attorney General came, and they seized it. He withdrew his suits, and they agreed to submit to all the contentions of the Government and to an injunction decree of the United States district court, under which the defendants and each of them either as corporations or individuals are compelled,

First, to sell, under supervision of the United States district court, all their holdings in public stockyards, stockyard railroads and terminals, and market newspapers.

Second, to dispose of all their interests in public cold-storage warehouses, except as necessary for their own meat products.

Third, to forever disassociate themselves with the retail meat business.

Fourth, to forever disassociate themselves with all "unrelated lines," including wholesale groceries, fish, fruit, vegetables, and a great variety of foods.

Fifth, to forever abandon the use of their branch houses, route cars, and autotrucks for any other than their own meat and dairy products.

Sixth, to perpetually submit to the jurisdiction of the United States District Court under an injunction forbidding the defendants maintaining a monopoly on any food product in the United States, or indulging in any unfair and unlawful practices.

It is inconceivable that the packers would have consented without a struggle to abide by such a decree if they had a reasonable expectation of being able to prove their innocence of the charges. What do they gain by submitting? Temporary immunity from prosecution. They also hope to quiet the public demand for Federal legislation and to be let alone. They have early yielded what ground seemed absolutely necessary in order to avoid giving up more later. It is a very clever and far-sighted move, but it will not accomplish its purpose. People are asking everywhere: Is it a surrender, or is it an armistice? It's neither. It's a great victory as far as it goes, but the fruits of victory can only be made secure by legislation which will not only provide an efficient agency clothed with authority to make the decree of the court effective, but which will provide for those other things without which the markets can not be free; namely, Government regulation, publicity, uniform accounting, refrigerator-car service, which all together mean equal opportunity. These must be provided for before the unrest and suspicion which surround the packing business will cease. Neither the packers nor the Attorney General, who is reported to deprecate legislation at this time, understand the temper of the people if they think a permanent treaty of peace will be signed until constructive legislation has been placed on the statute books. We demand a clear open system of production, manufacture, and distribution free from dark passages concealing the real beneficiaries of the consumer's dollar. Nothing short of this will satisfy the public or restore that confidence of producers in their industry which is a prerequisite to production.

We are not minimizing the importance of the decree. Far from it! The Attorney General has placed this estimate on its value: "It establishes the principle that no group of men, no matter how powerful, can ever attempt to control the food table of the American people or any one of the necessary or component parts of it." Both our attorney, Mr. Fisher, and our secretary, Mr. Tomlinson, have attached great importance to it. The former states that this decree "is a complete justification of the up-hill but resolute fight to clean up intolerable conditions in the marketing of live stock and other food products which was begun by the Market Committee of the American National Live Stock Association four years ago." The latter says: "The injunction decree embodies many of the principles for which the American National Live Stock Association has been striving, and for the furtherance of which the market committee was organized in January, 1916." Their statements to the press are, respectively, Exhibits C and D, and should be carefully read.

During the past year the packers have had much to say about cooperating with the producers, and some producers have criticized the committee for its lack of enthusiasm on this subject. There are different varieties of cooperation—therein lies the difficulty. The kind of cooperation proposed means the defeat of the very principles for which we have been striving. We fully realize that best results for our industry can only be achieved when human fellowship obtains between producer and distributor, when there is personal contact and a recognition of a mutuality of interests. But it must be something more on the part of the distributor than a cold-blooded effort to keep the producer producing. That mutual understanding can never be as long as the packer denies the producer that economic justice which can come only through Federal legislation creating an impartial agency which will guarantee that those powerfully organized do not take an unfair advantage of the unorganized. That would mean an enduring peace, a peace which will establish confidence, insure production, and provide a fair return to producer, manufac-

turer, and distributor. We hope the day is not far distant when the packers themselves may realize this and withdraw their opposition.

On January 5, 1920, the Agricultural Committee of the Senate resumed hearings on the new bill. During the intermission the authors of the bills had worked them over and merged them into one bill. On the above date they laid the new bill before the committee. Senator Kendrick has already explained it in detail, so we shall touch only on its main points. It contains most of the essential features of the old bills, but out of deference to the opposition makes some very important modifications. First: It provides for the appointment by the President of a Federal Live Stock Commission, which takes not only the place of the Secretary of Agriculture in administering the law but also takes over the powers and duties of the Federal Trade Commission as far as they apply to any person, partnership, or corporation, subject to investigation or regulation under the provisions of the proposed Federal Live Stock Commission act. The Department of Agriculture, the Federal Trade Commission, and other departments of the Government must cooperate with this commission as the President may direct. Second: The license feature is eliminated, and the commission is given the power to make such rules and regulations as may be necessary to carry out the provisions of the act. Third: The receivership feature is also eliminated, and the court processes are somewhat simplified. Fourth: The regulation of those engaged in distributing live-stock market quotations, or live-stock market news, is eliminated, as also is the regulation of those handling dairy and poultry products. Fifth: The section regarding refrigerator cars is left in the new bill, but we are advised by Senator Kendrick that this section will be eliminated, and that an amendment to the railroad bill will provide for adequate refrigerator car service for those making reasonable request, leaving the packers undisturbed as far as their refrigerator cars are concerned. The packers are not subject to fine or penalty of any kind until they have had full opportunity to be heard in court. The Supreme Court of the United States is the final arbiter. Thus the principal objections of the packers, namely "rule by an arbitrary dictator" and the license feature and the refrigerator-car question, have all been met. There has been considerable misapprehension regarding the certificates of registration. These apply only to those corporations, described in section 26, who apply for them, and may be issued at the discretion of the commission.

The time has come for you to determine your future policy regarding the most important feature of your work. This association for four years at least has been a militant organization, fighting for progress, demanding that a vicious and worn-out system be discarded and in its place be substituted a system in harmony with the times, a system of human fellowship and equal opportunity. To your zeal and untiring efforts is due the great victory of the Attorney General. Without you there would have been no investigation by the Federal Trade Commission, no facts on which the Attorney General could have based his demands.

You are facing the supreme crisis in your affairs. It is inconceivable at this turning point that you should not measure up to your opportunity and make a half-won victory a complete victory. First, you ought to make clear to the Attorney General, and to the country, the tremendous interest of the live-stock producers in making his decree effective. You ought to offer your cooperation in working out its terms. The disposition of the stock yards is a most difficult problem. It demands immediate consideration and requires careful study. The responsibility is yours. Second, you ought, with renewed vigor, to continue the fight for legislation. You are most fortunate in having as your President a leader in that fight who knows no turning back. He should have not only your moral support, but the advice and help of an active and well-informed market committee, who in turn should be provided with sufficient funds to make its cooperation effective.

Respectfully submitted.

H. A. JASTRO, *Chairman*,
E. L. BURKE, *Vice Chairman*,
CHARLES D. CAREY,
DWIGHT B. HEARD,
C. M. O'DONEL,
I. T. PRIOR,
H. C. WALLACE,
Market Committee.

EXHIBIT A.

SAN FRANCISCO, CALIF., *August 23, 1919.*

HON. ASLE J. GRONNA,
Chairman, Committee on Agriculture and Forestry,
United States Senate, Washington, D. C.

DEAR MR. SENATOR: The American National Live Stock Association has delegated to its market committee authority to act in connection with legislation affecting the live-stock industry.

The association has long realized the impossibility of proper conduct of the live-stock business when subject to the intrenched monopoly of the great packer combination, and has consistently fought for remedial Federal legislation. In the Kendrick and Kenyon bills, now before Congress, we recognize and indorse the general plan for thoroughgoing Federal control of the packing business, which, while maintaining efficiency in this great national industry, shall in the future prevent the abuses growing out of world-wide concentrated power, preying alike upon producer and consumer; wasteful in many of its methods; paying and charging what it sees fit, and ever advancing in its control of foodstuffs.

We believe that the licensing system properly places power and responsibility for just and rational treatment in an impartial agency of the Government, the Department of Agriculture; with the sworn duty to exercise that power for the public welfare.

We believe that in the Kendrick and Kenyon bills now before you there rests the means of carrying out reasonable recommendations based on findings of fact, and we find in the proposed legislation no menace to the legitimate performance, with reasonable profit, of the duties, public in their nature, which are performed by the packers.

We indorse as essential the policy of divorcing the packers from control of the stock yards, which should be public market places, treated as public utilities, and open, under equal and reasonable conditions, to all. We indorse control, in the public interest, of the commission men, and market-news and stock-yard papers. We believe that private refrigerator cars should be rated as common carriers. We find in the proposed penalties for violation of law or regulation nothing oppressive, but effective means for the exercise of necessary control; and we thoroughly approve the establishment, as suggested in the Kenyon bill, of foodstuffs warehouses, destined to furnish new and economical channels of communication between producer and consumer.

We realize the essential bond uniting our interests with those of the consumer, and have at all times recognized the need of furnishing to the public all detailed information concerning the producing processes of the live-stock and meat business. We have nothing to conceal, and we demand that the manufacturing and distributing factors shall be equally open to public knowledge.

We are aware of the desperate efforts being made by the packers to maintain their unconscionable position. We have noted their lavish expenditure in advertising that has dealt in evasion, misrepresentation, and half-truths, and we ask for legislative action that will publish, and continue to make public to the country, the details of the meat business, upon which the life of the country so generally depends.

Speaking for an immense body of producers, we emphatically repudiate recent unfair statements by those weak-kneed and improperly influenced commission men, who, although our paid agents, have thoroughly misstated both the character of the proposed legislation and the attitude of the great body of live-stock producers regarding it. The attitude of the stock-yard press has generally been equally dishonest, and manifestly inspired.

We deplore the recent action of those live-stock producers who have passed resolutions condemning certain features of the proposed bill, instead of indorsing the vital principles and aiding in clearing the legislation of that which they consider objectionable by their testimony and recommendations.

We have reason to believe that, just as in hearings and investigations conducted in the past, in the present contest between this giant monopoly and the public, witnesses are in some cases being coerced, and in other cases their expenses are being paid to offer testimony in favor of the packers. This procedure we denounce as an intolerable offense, made necessary only by an unrighteous cause. The issue is clearly one of economic liberty. The prices of meat and meat products form a large proportion of the present high cost of

living, and until the intrenched monopoly which now dominates these fundamental food supplies is rigidly controlled by the strong arm of the Federal Government, we see but little hope for either consumer or producer.

If in any way the members of this committee can be of service to you in your consideration of this legislation, you have but to command us.

MARKET COMMITTEE, AMERICAN NATIONAL LIVE STOCK ASSOCIATION,
By H. A. JASTRO, *Chairman.*
E. L. BURKE, *Vice Chairman.*

EXHIBIT B.

DENVER, COLO., *August 27, 1919.*

The PRESIDENT,
The White House, Washington, D. C.

DEAR MR. PRESIDENT: Having previously offered our services to assist you in your efforts to bring about a reduction in the cost of living, we herewith present certain concrete suggestions which we trust may prove of value.

As members of the market committee of the American National Live Stock Association, and on behalf of a large portion of the organized live-stock producers of the country, we beg to assure you of our desire to assist in the nation-wide movement to check waste, speculation, and profiteering, and thereby reduce the cost of living. All information which the market committee has gathered since its organization in January, 1916, for the purpose of improving marketing conditions, is at your disposal.

We recognize that the steadily mounting cost of living is a most serious menace to our national welfare, and largely the cause of industrial discontent. As the prices of meat and meat products constitute a large percentage of this living cost, we offer for your consideration the following definite suggestions for improvement:

1. Prompt action by Congress providing for a constructive plan for just and thoroughgoing Federal control of the packing industry, which shall maintain the efficiency of this greatest of our national industries, but shall prevent in future such misuse of the enormous and rapidly growing economic and concentrated financial power of the group of five great packers as the investigations of the Federal Trade Commission show to have occurred in the past. That this small group have to-day practically a monopoly of the nation's meat supply, and are rapidly extending their control to other food products, has now been proved beyond question. We advocate neither revolutionary nor destructive policies, but call for the prompt enactment by Congress of such reasonable, effective, and definite legislation as shall positively prevent manipulation, hoarding, or speculation in meat and other essential food products; shall provide for the regulation and control, by license, of the packers, under the administration of the Secretary of Agriculture—an impartial agency assuring fair treatment to producer, packer, and consumer alike; shall prevent packers' control of all food products; shall provide for marketing places to be treated as public utilities, free from packer control, and for the use of all shippers and purchasers of live stock on equal terms; shall assure the distribution to the consumer of the products of live stock, on an economical and competitive basis, free from the special privileges now enjoyed by the packers through the uncontrolled use of their refrigerator cars; shall permit the establishment of local agencies wherever desirable, open to all on equal terms, for slaughtering, storing, and distributing live-stock products; shall prevent the use of the stock-yard press to mislead public opinion; and, by substituting just Federal control for intrenched monopoly, shall restore confidence to both consumer and producer. We believe the foregoing principles are incorporated in the Kendrick and Kenyon bills now under consideration by Congress.

2. We urge the prompt completion by the United States Department of Agriculture of a national survey covering the cost of meat production, with the establishment, through the cooperation of the Federal Farm Bureau units, of methods to eliminate any wastes which may be found to exist. In advocating definite reforms in the manufacturing and distributing end of the meat industry, we are prepared to use our utmost efforts to put into operation, promptly and cheerfully, any improved and practical methods in meat production, from the date of the birth of the calf to the time of sale for slaughter, which may be suggested by the United States Department of Agriculture, as a result of the completion of the national survey proposed.

3. We strongly advocate the early enactment by Congress of legislation which shall place the vast area of uncontrolled grazing lands (still aggregating over 200,000,000 acres) under an efficient system of Federal control, similar to that existing on the grazing lands within the national forests, thus substituting intelligent use for the present wasteful misuse and greatly increasing the annual meat production upon these great national pastures, commonly known as the public range. The bill now before Congress, recently introduced by Senator King, of Utah, and generally indorsed by the live-stock men of the West, would, we believe, if enacted, put into effect the foregoing principles.

Immediate action along the above lines will, in our judgment, prove of unquestioned national benefit, and, in aiding to put such policies into successful operation, the live-stock producers will prove by their actions their willingness to serve the Nation in this critical reconstructive period.

In view of the importance of our position being made public at this time, we assume our giving publicity, through the press, to this letter will be agreeable to you.

Yours, respectfully,

H. A. JASTRO, *Chairman;*
EDWARD L. BURKE, *Vice Chairman;*
DWIGHT B. HEARD,
C. M. O'DONEL,
I. T. PRYOR,
CHARLES D. CAREY,
Market Committee, American National Live Stock Association.

EXHIBIT C.

Hon. Walter L. Fisher, attorney for the market committee, in an interview expressed himself as follows:

"This decree is a complete justification of the up-hill but resolute fight to clean up intolerable conditions in the marketing of live stock and other food products which was begun by the market committee of the American National Live Stock Association four years ago and has been persistently carried on by it ever since, with the aid of other producers' and consumers' organizations.

"It was the American National Live Stock Association that induced President Wilson to direct the Federal Trade Commission investigation and that secured from Congress the appropriation necessary for that investigation. Whatever may be said in criticism of some of its features—and I believe that some of the things that were done were wrong and weakened our fight instead of helping it—nevertheless, it is beyond question that it was the fearless and effective work of the Federal Trade Commission which conclusively demonstrated that most serious abuses existed and that drastic reforms were necessary. It is because of that investigation and the fear of its consequences that the packers are now consenting to abandon the monopolistic methods which they have been spending millions to defend in the press and before Congress during the past two years.

"The interests I represent have no desire to punish the packers for past misdeeds, even if they have been guilty of them, provided there is to be real assurance that they will not be repeated. The purpose of punishment ought to be to prevent a repetition of the offense. This decree may accomplish that result, but it can not possibly do so unless it is supplemented by congressional action. Unless some Federal agency is given authority and money to keep in constant touch with the facts and to see to it that the principles of this decree are enforced, old abuses will go right along under new forms.

"No right-minded man wants to cripple this great industry; but it has grown so great and it has come under such concentrated control by confederated or intimately related financial interests that some fully informed and vigilant agency of the Federal Government must be charged with its supervision.

"With this the decree should accomplish what Mr. Armour says was his object in consenting to it and end the unrest and suspicion which now surround the packing business. Without this the decree will only be one more mistake in the handling of these fundamental economic problems upon the right solution of which depends the future welfare of the community, including the protection of the just rights of private property.

"The Federal Trade Commission is right in declaring that everything depends on whether this decree is merely an armistice or whether the fight is to

end in a constructive and enduring treaty of peace. It is imperative that the food supplies of this country shall be marketed free from control or suspicion of control by monopolists or profiteers."

EXHIBIT D.

The market committee of the American National Live Stock Association has given out the following brief notice relative to the injunction decree:

"The injunction decree announced in the press this morning as about to be entered in the Federal court embodies many of the principles for which the American National Live Stock Association has been striving and for the furtherance of which the market committee was organized in January, 1916, viz, severance of the packers from the ownership or control of stockyards, stockyard railroads, terminal facilities, and stockyard papers. The order also requires the packers to dissociate themselves from all unrelated lines, such as wholesale groceries, etc., and perpetually to submit to injunction of the court forbidding them to maintain any combination, conspiracy, or monopoly in respect of any food products.

"Thus at one blow the packers have been compelled to surrender a position in which they have been strongly intrenched and which they have fought so vigorously and at such enormous outlay to hold. The American National Live Stock Association congratulates the public and the producers of the United States on this remarkable result. But success has not yet been achieved along the whole line. It will be advisable to translate the provisions of the injunction into the form of statutory legislation, and it may be assumed that such legislation will no longer be opposed by the packers in so far as it may embody points now covered by the court's order.

"The position of the American National Live Stock Association with respect to the Federal regulation—by license, charter, or otherwise—of packing plants, commission firms, and stockyards, irrespective of ownership, will remain unchanged, and the provision of the Kendrick bill requiring railroads to furnish refrigerator equipment to take care of the meat business of the country seeks to remedy one of the most acute needs of the industry which, in the nature of things, could not be dealt with by this injunction."

Mr. O'DONEL. I should like to file at this time a resolution of the convention at Spokane, indorsing President Kendrick, the market committee, and approving this report. Is it the desire of the committee that I read this resolution?

Mr. ANDERSON. I think you better read it.

Mr. O'DONEL (reading):

Whereas owing to the untiring efforts of our president, John B. Kendrick, and our market committee, the public is now well informed about the marketing and distributing of live stock and the products of live stock; and

Whereas their determined and uphill fight is directly responsible for the injunction decree of the Attorney General, and also for the prospective Federal legislation regulating the packers and others: Therefore be it

Resolved, That we consider the results achieved a complete justification of their strenuous fight to remove objectionable and unfair conditions in the marketing of live stock and other food products, and that we approve their work during the past year, and the clear and concise report of the market committee, and pledge our continued cooperation and financial support; and we urge our members, both by individual subscriptions and through their various State organizations, on a per capita basis of cattle owned, to provide adequate funds, in order that the work of the committee may be prosecuted vigorously and efficiently.

I should like to file here a resolution commending the work of the Attorney General passed at the same convention. [Reading.]

Whereas through the information supplied the Department of Justice by the Federal Trade Commission and the cooperation of the commission and the Attorney General the latter has been able to make an agreement with the packers by which they submit to an injunction decree of the United States district court which establishes perpetually many of the principles for which the American National Live-Stock Association has striven for years: Therefore be it

Resolved, That we commend the work of the Attorney General and the Federal Trade Commission and urge the former to do his utmost to make the decree effective by cooperating with other departments of the Government and any other agency which can be helpful, and we pledge him our hearty support.

There is one more resolution which I should like to read into the record here; the resolution recommending Federal legislation:

Whereas it is necessary that confidence should be established in the operation of marketing agencies, in order that competition may be developed, that an improved understanding may be created between producer, packer, and consumer, and that distribution of meat and meat products may be guaranteed on a fair and economical basis and along practical lines, so as to cause the least disturbance of existing conditions: Therefore be it

Resolved, By the American National Live Stock Association, in annual convention assembled in the city of Spokane, Wash., this 29th day of January, 1920, that we recommend the enactment of legislation by Congress providing governmental regulation of all marketing, manufacturing, and distributing agencies engaged in handling live stock and its products, and we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding or the exercise of any arbitrary power; and further recommend that the supervision of such market agencies provided for by the proposed legislation be made a matter of law, so as to occasion the least possible disturbance or interference with existing business conditions.

I am particularly desirous of bringing the action of the convention at Spokane to the notice of this committee, in view of the fact that a certain telegram from various persons in Colorado on this subject has been addressed to Hon. L. P. Phipps, Senate, Washington, which was printed in the Congressional Record. I should like to read that telegram.

The CHAIRMAN. Certainly.

Mr. O'DONEL (reading):

We learn the new Kendrick-Kenyon bill is before the Senate and Senator Kendrick pushing strong the passage of this bill. We attended the American National Live Stock Association convention at Spokane during January of this year, and the principal subject under discussion there was packer legislation. Senator Kendrick publicly stated his future action at Washington would be governed largely by the action of the convention. The resolution calling for "prompt Federal legislation" was defeated, and it is clearly the sense of the convention that no further agitation of the question be had until the Palmer agreement be given a fair trial. We returned to our people with this news. Again we learn the agitation is up and causing cattle feeders and producers untold losses—$25 to $50 per head on cattle. Use your effort to stop this bureau legislation and let our industry return to a sound and fair basis, thereby encouraging production. We know that further agitation of this question will drive many people out of the live-stock business, and we seriously protest against this bill with its bureau registration rules and regulations.

This is signed by the cattle and sheep producers of Colorado, Ben Kemper, W. A. Snyder, A. G. Prey, Mark Beetham, Charles Clayton, Frank Wherren, John O. Hall.

That is one of the most remarkable occurrences that has ever come to my notice. The signers of this telegram are presumably men of some standing. I only know one of them—Clayton—know him slightly. Prey I have met. He is a commission man in the Denver yard, I believe. I do not understand how these signatures could have been obtained to this telegram except in the manner that signatures to a petition are sometimes obtained, that men will sign a thing without reading it. Such part of this telegram as purports to be a statement of fact and not a statement of opinion is entirely opposed to the fact, with the exception of the statement

that these men attended the convention at Spokane, which I take to be correct. They say:

Senator Kendrick publicly stated his future action at Washington would be governed largely by the action of the convention.

That is a pure concoction. The next statement is:

The resolution calling for "prompt Federal legislation" was defeated.

That is so far from being the fact that it is not only not true that the resolution calling for prompt Federal legislation was defeated but it is a fact that no resolution introduced before that convention was defeated. It is also a fact that every resolution introduced before that convention was passed without a dissenting voice. I, perhaps, ought to state that I was chairman of the resolutions committee and I am perfectly qualified to speak on this subject. There is, therefore, no truth whatever in that part of this telegram which purports to relate the events that took place at the Spokane convention.

In regard to the sentiment of cattlemen in other parts of the country and the action that was taken by State organizations, I should like to read a resolution passed by the Kansas Live Stock Association at its annual meeting held in Wichita, Kans., January 31, 1920. I call attention to the fact that this meeting was held practically simultaneously with the Spokane meeting.

Mr. TINCHER. Before you leave the Spokane meeting, was any resolution tendered or offered there affecting the subject of the Government control of the packers?

Mr. O'DONEL. This resolution which was passed recommends legislation. I have read that resolution. It recommends legislation on that subject.

Mr. TINCHER. It does not specify the particular bills pending in Washington, it does not mention the bills pending?

Mr. O'DONEL. It does not mention the bills pending. The fact is that so many bills have followed each other in this proposed legislation that there has been a state of flux all the time and we have found that no sooner have we indorsed one bill that it was put into the waste basket and another followed. This resolution deals in general terms with the question of legislation. I will now read the Kansas resolution:

That we indorse the action of the Kansas Legislature in the passage of the Burdick bill, creating the live-stock bureau, and we also commend the action of our governor in promptly signing the same, making it effective. We favor the passage of Federal legislation pending in Congress, known as the combined Kendrick-Kenyon bills, similar to the Kansas law known as the Burdick bill.

I should now like to put in the record the resolution passed by the Buyers' and Sellers' Live Stock Association, at Amarillo, Tex. This was forwarded by telegram, dated February 26, 1920.

Mr. YOUNG. Is that association in session now?

Mr. O'DONEL. It probably has adjourned by this time. This telegram was dated February 26. I think they were to be in session two or three days—not more than three days. [Reading:]

There is now pending in the National Congress what is known as the Anderson redrafted Kendrick-Kenyon bill, having for its object the regulation and supervision of the meat-packing industry of the United States such embodying

clauses providing for the creation of a commision to supervise the operations of packing housese and the marketing of live stock and the finished products therefrom, the functions of the said commission to be along a line similar to those of the Interstate Commerce Commission in its regulatory control over the national railways, and other such features as will safeguard the best interests of the producers .the consumers, and the packers: Therefore, be it

Resolved, That the Buyers 'and Sellers' Live Stock Association, of Amarillo, Tex., embracing as it does many men foremost in the Nation's beef production, go on record as favoring and indorsing the Anderson redrafted Kendrick-Kenyon bill, and pledge its faithful and earnest efforts in the final passage and enactment into law of the aforesaid bill.

That is signed by R. B. Masterson, chairman, and is signed by seven others and the secretary.

Mr. YOUNG. Please read those signatures.

Mr. O'DONEL. R. B. Masterson, chairman; William E. Herring, Lee Bivins, B. T. Ware, Baekley Dawson, John Landergin, W. H. Fuqua, W. Ovrien, and A. S. Stinnett the secretary.

Mr. WILSON. I wonder if Mr. Anderson could explain anything about this propaganda about the Anderson redrafted Kendrick-Kenyon bill?

Mr. ANDERSON. The only explanation I could make is that I never heard of this resolution before. I did not know there was any such convention, and therefore I could not have had anything to do with any propaganda in connection with the matter.

Mr. WILSON. There is no such bill in existence which they have indorsed?

Mr. TINCHER. The old secretary of this association came to Washington last year while these hearings were pending before the Senate committee, and he turned traitor and went before the committee and represented the packers, and the commercial club at Amarillo recalled that, gentlemen, as they had a right to do. I do not suppose you can find a bunch of fellows in the United States who are better informed as to what is pending before Congress than the men who signed the resolution and had occasion to become informed by reason of their own secretary deserting them and coming down here and letting the packers write his testimony.

Mr. VEEDER. May I ask for the name of that gentleman?

Mr. TINCHER. It is in the hearings.

Mr. O'DONEL. I can give you his name.

Mr. VEEDER. I was here, and I have no recollection of any such person.

Mr. O'DONEL. His name is Avery. I understood that he did not appear before the committee.

Mr. VEEDER. I wish to say that I have no knowledge or recollection of any such condition.

Mr. TINCHER. As a matter of fact, you know what happened. That man came here to represent the producers and got into awfully bad company. I can not give you the details of what happened.

Mr. VEEDER. I know the fact of Mr. Avery appearing as a witness.

Mr. TINCHER. I know this, that Mr. Avery appeared as a witness, and I know, further, that the institute did not prepare any statement for or in behalf of Mr. Avery. What company Mr. Avery fell into I do not know.

Mr. RAINEY. That is a very broad statement, Mr. Tincher—like similar statements you have made during the hearing. If you know

the bad company that this gentleman got into, why do you not state it?

Mr. TINCHER. I know that I do make some broad statements. I represent a broad district and will continue to make such statements as I see fit.

Mr. RAINEY. I do not think anybody has any objection to that, but we do not want you to testify for Mr. Avery or anybody else.

Mr. TINCHER. I am not testifying.

The CHAIRMAN. Mr. O'Donel, you may proceed.

Mr. O'DONEL. I will state, if the committee cares to hear it, that I happen to know something about this matter, because I saw telegrams which passed between Avery and his employers at the time last summer. If you care to know about that, I can tell you what I remember about it. I heard this morning that Mr. John Landergin, who is one of the signers of this resolution, will be here to-day or to-morrow at the latest, and therefore you can get first-hand information from him if you want to know more about this subject.

The CHAIRMAN. You may proceed.

Mr. O'DONEL. I should like next to put in a resolution passed by the executive board of the New Mexico Cattle and Horse Growers' Association. I will state that the annual convention of this association has not yet taken place, but the executive board met February 4 at Carlsbad, N. Mex., and passed this resolution:

Whereas the American National Live Stock Association, at its convention at Spokane, Wash., January 29, 1920, adopted resolutions approving the action of the Attorney General in respect to the packers; indorsing the action of its president, Senator Kendrick, and of the market committee; and recommending the enactment of Federal legislation regualting all marketing agencies; and

Whereas copies of said resolutions have been filed with the secretary of the association: Now be it

Resolved, By the executive board of the New Mexico Cattle and Horse Growers' Association in session at Carlsbad, N. Mex., the 4th day of February, 1920, that we indorse and approve said resolutions and adopt the policy therein declared.

That is signed, "Executive Board, the New Mexico Cattle and Horse Growers' Association."

I should like to put into the record next the resolution adopted by the Corn Belt Meat Producers' Association on this same subject:

Resolved, That we consider the revised Kenyon-Kendrick bill for supervision of the packing industry as a measure which it is to the advantage of farmers and stockmen, the packers and the people generally, to have enacted into law at the earliest possible date. We request the Seantors and Congressmen from the State to use every effort to secure prompt and favorable action upon this bill. We especially request Congressman G. N. Haugen, chairman of the House Committee on Agriculture, to endeavor to secure prompt and favorable action by his committee.

Mr. WILSON. How does it happen that these organizations are indorsing a bill that has never been drafted?

Mr. O'DONEL. The Senate bill has passed through the committee?

Mr. WILSON. Yes; but they all refer to this redrafted Anderson-Kenyon bill.

Mr. O'DONEL. No; this resolution refers to the revised Kendrick-Kenyon bill.

Mr. WILSON. I know, but there is not any revised Kendrick-Kenyon bill, is there?

Mr. O'DONEL. Yes, sir.

Mr. ANDERSON. That is the one which has been reported.

The CHAIRMAN. You have reference to the bill reported by the Senate committee?

Mr. O'DONEL. Yes, sir.

Mr. WILSON. I understood that they favored the other bill, which has not yet been drafted.

The CHAIRMAN. You have reference to the bill S. 3944, Calendar No. 386, a bill to create a Federal live-stock commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes, in the Senate of the United States, February 18 (calendar day Feb. 20), 1920. Mr. Gronna, from the Committee on Agriculture and Forestry, reported the following bill, which was read twice and placed on the calendar. Is that the bill that you have reference to?

Mr. O'DONEL. That is the bill that we have reference to. I should like to state that the American National Live Stock Association has favored legislation on this subject as it has been proposed in the successive bills that have been introduced, except, I think, the Sims bill. The Sims bill, as you doubtless know, was written to embody the recommendations of the Federal Trade Commission, and was a pretty extreme measure. It contemplated governmental control of various facilities, distributing agencies, branch houses, and refrigerator cars. That bill did not recommend itself to the more conservative minds in the association. While it was welcomed by many as an initial attempt to solve this problem by legislation, it did not receive the official indorsement of the American National Live Stock Association.

The next was the Kendrick bill, in its first stage, and we got behind that as well as we could and approved it. Then the Kendrick bill in its later phase appeared. Then the Kenyon bill; now we have the combined Kenyon-Kendrick bill, which is this bill S. 3944.

The principal criticism that seemed to be directed against the former Kenyon and Kendrick bills was on account of the licensing feature and the clause dealing with the refrigerator-car service. Those were the two parts of the bill that received most criticism from the other side. Both of those features, I understand, have been removed. The refrigerator-car question has been left entirely out of it and the licensing feature of the bill has been left out. And in place of that what is called a voluntary registration, nothing compulsory about it, and no licensing feature.

There is one point, however, where I think something ought to be added to this bill, if it is adopted by this committee. I understand from Senator Kendrick that this was omitted merely by an oversight. There is nothing in this bill to cover the traders on stock yards.

I will explain for the purpose of those who are not familiar with the situation that the traders are men who buy feed cattle and we sell them, to go out to the country. They have in some of the yards a very strong organization called a traders' exchange. They are a very important part of the situation and it is very difficult at some of the markets to get a bunch of feed cattle through the yards without passing through the hands of the traders. The result is that

bunch of feed cattle shipped in has to pay two commissions and a profit to the trader before they can get out again. It may be all legitimate, but it is one of the things that requires regulation like everything else, and it will add very much to the confidence of the shipper if he knows that the actions of these people are subject to governmental supervision. The traders fill a useful purpose, no doubt, but they have a great deal of power. They have the power of boycott which I know, from personal experience, they do not hesitate to use.

I would recommend including them in the bill by inserting at the end of the definition of the term "operator" some such words as "And all persons engaged in trading in live stock at stockyards."

I have here a copy of the bill passed by the Legislature of the State of Kansas, a bill relating to live stock and providing for the regulation of the business of handling the same. I will file this bill for the record. Perhaps if Mr. Mercer is going to come here——

Mr. TINCHER (interposing). No; let it go in the record.

The CHAIRMAN. Without objection the bill will be incorporated in the record.

(The bill referred to by the chairman follows:)

RELATING TO LIVE STOCK, AND PROVIDING FOR THE REGULATION OF THE BUSINESS OF HANDLING THE SAME.

HOUSE BILL NO. 2.

An act in relation to live stock and live-stock products, providing for the regulation of the businesses of persons, firms, associations, and corporations engaged in the sale or handling of live stock, or the manufacture of products therefrom for food or other purposes, the creation of the Kansas live stock bureau for the enforcement of this act, and prescribing penalties and duties upon such persons, firms, associations, and corporations for the purpose of enforcing the provisions of this act, and repealing original sections 11107, 11108, 11109, 11110, 11111, 11112, 11113, 1114 of the General Statutes of Kansas, 1915.

Be it enacted by the Legislature of the State of Kansas:

SECTION 1. The transaction of the businesses or the carrying on of the operations mentioned and defined in section 2 of this act are hereby determined and declared to be of public interest and to specially and directly affect the public health, safety, comfort, and general welfare thereof, and are hereby declared subject to reasonable supervision by the State, as herein provided, for the purpose of protecting the public health, safety, comfort, and general welfare, and that such regulation is necessary to prevent the undue, unnatural, and unreasonable restriction of and hindrance and injury to the domestic commerce of the State in such industries, and the prevention of fraud and oppression upon the public in the carrying on of such businesses and industries by the persons, firms, or corporations defined in said section 2 of this act.

SEC. 2. Any person, firm, association, or corporation engaged in the businesses or industries herein described and defined are hereby declared to be subject to the terms, conditions, and regulations prescribed in this act, and wherever said businesses or industries, or any other trade term used in this act, are referred to, such names and terms shall be construed in accordance with the following definitions, to wit:

(*a*) "Packer" is any person, firm, or corporation or association which is engaged in the business of slaughtering live stock and in the preparation of flesh, or flesh products, for use as food, from said live stock.

(*b*) "Stockyards" shall include every place, establishment, or facility commonly known as stockyards conducted or operated for compensation or profit consisting of pens and their appurtenances, loading and unloading facilities, and used as a public market place for live stock.

(*c*) "Live-stock trader." Any firm, person, corporation, or association engaged in buying or selling live stock on a regularly organized exchange or public market.

(*d*) "Licensee" shall mean any person required to obtain a license under the provisions of this act.

(*e*) "Live stock" shall be construed to include the following animals: Horses, mules, asses, cattle, sheep, swine, goats, and dead or living game.

(*f*) "Rendering plant" shall include all places or plants operated for the manufacture of oils, greases, commercial fertilizer, or other commercial products not suitable for food, from the carcasses of animals included in the definition of this act as live stock.

SEC. 3. It shall be unlawful for any person, firm, association, or corporation to engage in any of the businesses or industries described in section 2 of this act within this State after the expiration of 90 days from the taking effect of this act without a license to transact such businesses or industries, the issuance of which license is herein provided for, and any such person, firm, association, or corporation shall furnish reasonable, adequate, and safe service to the public under reasonable rules, regulations, and practices to protect the public health, safety, comfort, and general welfare, and at reasonable rates and charges for such services, and shall conduct said business or businesses and industries in a fair and just manner to the public, and any conduct to the contrary is hereby declared unlawful.

SEC. 4. For the purpose of aiding in the enforcement of the provisions of this act there is hereby created the Kansas live stock bureau, which shall be composed of the State live stock sanitary commissioner and two other persons to be appointed by the governor for a term of two years each. The said Kansas live stock bureau shall maintain its headquarters and keep its records in the office of the live stock sanitary commissioner in the State house at Topeka. The members of said bureau shall serve without pay and each shall subscribe to an oath to faithfully discharge the duties of this office.

SEC. 5. Every person, firm, association, or corporation who shall engage either in carrying on or transacting the business of packer, stockyards, livestock trader, rendering plant, or that of any other licensee under the terms of this act after the expiration of 90 days from the taking effect of this act without obtaining a license as hereinafter provided for to transact said business or businesses from the Kansas live stock bureau, shall be guilty of a misdemeanor, and upon conviction thereof shall be fined not to exceed one thousand dollars ($1,000), or shall be imprisoned for not more than one year, or shall be punished by both such fine and imprisonment.

SEC. 6. That Kansas live stock bureau is hereby empowered and authorized to issue licenses to any person, firm, association, or corporation engaged in the businesses or industries defined in section 2 of this act, and upon complaint or its own initiative to make, establish, and put into effect reasonable rules, rates, and charges for service and regulations and practices for the conduct of said businesses and industries for the protection of the public and persons dealing with the persons, firms, associations, and corporations licensed to transact said businesses and industries in the State of Kansas and within the provisions of this act; and shall make and publish same as a part of the records and conduct of its office. The Kansas live stock bureau shall have the power and is hereby authorized, in addition to the powers heretofore enumerated, to grant, refuse, or revoke for cause, a license or licenses to any person, firm, corporation, or association engaged in any of the businesses or industries defined in section 2 of this act.

SEC. 7. Upon the making and publication of any rules, rates, regulations, practices, and charges, or granting, refusing, or suspending any license provided for in section 6 of this act, any person interested therein may file the same with the court of industrial relations, together with complaint as to same and notice of service thereof, and it shall be the duty of the court of industrial relations to make and serve upon all interested parties copies of said papers so filed, and the court of industrial relations shall immediately thereafter, and as expeditiously as possible, conduct a full hearing and investigation of all matters contained in said rules, regulations, rates, charges, or practices complained of, and the complaint contained thereto. The court of industrial relations shall have the same powers, jurisdiction, and duties in relation to the said businesses and industries, in so far as they may be affected by any such rules, regulations, rates, charges, or practices complained of as is given to it in the act creating the court of industrial relations over public utilities and public businesses and after full hearing and investigation made by the court of industrial relations, in the same manner,

under the powers and provisions of the law creating the court of industrial relations, said court shall make an order affirming or revoking, in whole or in part, the rules, regulations, rates, charges, or practices complained of made by the Kansas live stock bureau, and said order shall become effective and final within thirty days after its entry, and after due notice thereof shall be given by registered mail to any person affected thereby, by said court, unless said order shall be attacked in a court of competent jurisdiction in the same manner as is provided for the testing of the legality of orders of the court of industrial relations in the act of its creation. Any such orders made by the said court shall be enforced in the same manner and to the same effect as its orders may be enforced under the provisions and conditions of the act creating the said court of industrial relations, which provisions of the act creating the court of industrial relations and as to procedure and appeal are hereby reaffirmed, adopted, and made a part of this act for the purpose of securing its enforcement and the enforcement of the orders made in accordance with the provisions of this act by the court of industrial relations. If any persons, firm, corporation, or association affected by any order made by the Kansas live stock bureau, including any order of said bureau refusing to grant a license or any order revoking or suspending a license, shall not cause the same to be taken before the court of industrial relations as herein provided within fifteen days after its entry by the Kansas live stock bureau, the same shall become final, but the Kansas live stock bureau may, on its own initiative, cause the same at any time to be filed before the court of industrial relations for its investigations, approval, or revocation, as herein provided.

SEC. 8. The attendance of witnesses and the production of books, papers, records, correspondence, and accounts which are reasonably necessary to the conduct of the hearings and investigations herein provided for before the court of industrial relations may be compelled by the court of industrial relations, and such witnesses and records may be produced at any place within the State of Kansas where such hearings and investigations are being conducted. In case of the contumacy or refusal to obey a subpœna issued to any person, said court of industrial relations may invoke the aid of any district court in the county where such hearing or investigation is being conducted, or of the supreme court of the State of Kansas to require the attendance and testimony of such witness or witnesses and the production of any of said records, books, or accounts. Such court may, upon the refusal to obey its order to such person or persons to appear before the court and give evidence of testimony, or to produce any of the said records, books, or accounts, punish such person or persons as a contempt thereof.

SEC. 9. No person shall be exempt from attending and testifying, or from producing books, papers, records, correspondence, or other matters necessary to the hearings and investigations herein provided for before the court of industrial relations in obedience to the subpœna of such court on the ground or for the reason that the testimony and evidence required of him may tend to criminate him or subject him to a penalty or forfeiture, but no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify or produce evidence before the said court.

SEC. 10. The original sections 11107, 11108, 11109, 11110, 11111, 11112, 11113, and 11114, of the General Statutes of Kansas for the year 1915 are hereby repealed.

SEC. 11. This act shall take effect from and after its publication in the official State paper.

Mr. O'DONEL. This bill establishes a live-stock commission which they call the Kansas Live Stock Bureau, and also a license system, and the bill provides that no packer, stockyard company, or live-stock trader—they get the trader in all right—can do business without a license from the State of Kansas. For some reason of their own they have omitted the commission men.

What I should like to point out is, that I take it the passage of this bill is an expression of impatience on the part of those people. They have been looking forward to legislation for quite a long time. It does not seem to be coming very fast. They have passed

a law of their own, to take care of their own situation. This situation is likely to arise in other States, too. It is comparable to the State railroad commission, whose work has conflicted here and there with the work of the Interstate Commerce Commission and has led to a great deal of confusion. If you have every State licensing the packers and stockyards, you will have a whole lot of laws differing in detail from each other, and you will have a great deal of cross wiring. This will be particularly the case at the Kansas City yard if the State of Missouri should pass a law similar in some respects, requiring a license, because the Kansas City yards are partly in the State of Kansas and partly in the State of Missouri, and anybody operating there would have to have a license in both States. He would be within his rights in doing certain things on one side of the line, and across the line he would get in wrong doing the same thing, perhaps, and a very undesirable state of things would arise. I think Mr. Mercer, when he comes here, can tell you more about this bill and their purpose in passing it.

I should like to mention what it is that we hope to obtain by this legislation.

In the first place, we should like to see the packers placed on some such footing as a public utility. In the next place, we want to see confidence established in the market, and that confidence, we think, can only come to the people by means of Federal control. The people will have the same confidence in the market under Federal regulation as they have now in the national banks.

The third principal point is that we want to see the stockyards separated from the packers, under different ownership. Those are the principal objects of the legislation as we see it. There are other minor matters. It seems to us, owing to the stockyard side of the business of the packers, that they should be dealt with as a public utility. They have grown to such an extent and they take such an important part in the economic life of the country that they can fairly be considered in that light.

The second thing we want is to establish confidence. I do not say restore confidence, because there has never been any evidence in the record. There has always been a feeling of distrust. Ever since I have known anything about the cattle business, and that is 35 years, there has always been a feeling of distrust of the markets; it is undeniable, and it can only be removed by placing the markets under governmental regulation. One thing that causes this distrust is the violent fluctuations of the market.

We do not always understand why these occur. Of course, it may be that these fluctuations are legitimate and that they are due to the supply and demand, but it is very difficult to persuade a man that a sudden drop of $1 or $1.50, with a loss of $30 or $40 or $50 a head on his cattle, is a necessary situation, but if there is a governmental commission to investigate this thing and if they give it as their opinion that the fluctuations are unavoidable, I think the cattleman is man enough to take his medicine, but he does want to know. There are cases where the market has dropped as much as $1.50 in a week. I think there are some more extreme than that, and even a less drop than that will make all the difference between a profit and a loss.

The small profit which the packers say they are making would seem to indicate very close buying on the markets, but the buying is not very close. It varies the same day. Those who sell one bunch of cattle will get as much as $1 a hundred less than for another bunch of cattle—cattle of the same quality the same day—and it is very remarkable when they buy cattle like that that they should always come out at the end of the year with a fraction of a dollar profit per annum or something of that kind.

The last time I was on the market myself I had a string of cows in the yards. They were in two separate pens, the same kind of cows in each pen, four or five carloads in each. One of them was sold early to a packer at, I think, $5.65. Then, another packer came along and offered $5.10 for the second bunch of identically the same cattle. That bid was not accepted, but after the salesman had wrangled a long time with him and finally told him that the other string had sold for $5.65, he said, "I will give you $5.60." The impression I got from that was that they did not care very much what they gave, as long as they were not overbidding the other fellow; as long as they were paying what was the market price. It was a good buy anyhow at any price.

I notice in Swift's year book for 1920 the profit shown on the year's business is 1.15 cents on each dollar of sales. The balance sheet is given and a profit and loss account for the year ending November 1, 1919, shows the net earnings for the year to be $13,870,181.24. They have deducted in advance for reserve of Federal and foreign taxes, $800,000, so their net earnings, according to their own figures, for the year were $14,670,181.34. Their practice is to take off the Federal and foreign taxes which they expect to pay in the course of the next 12 months. They show the balance as net earnings. Last year, as I recollect, they took off about $12,000,000. This year they take off $800,000. There is a great deal of difference. The reason for that is they apparently have piled up such a big reserve for Federal and foreign taxes and it was top heavy; they showed, I think, $16,000,000 as their reserve for Federal and foreign taxes, so they only needed to write off that account $800,000 this year.

Their profit—I take this from the statement filed by Mr. Colver, of the Federal Trade Commission, in the Senate hearings—their profits in 1917 were $44,650,000, including reserve for taxes of $10,000,000. The profits for 1918 he gives as $44,364,000 with reserve of $16,500,000. I think he has made a mistake there. I think the reserve for taxes was $12,000,000, and not $16,500,000.

Mr. HULINGS. For the five packers?

Mr. O'DONEL. No; this is for Swift & Co.

Mr. VOIGT. May I interrupt you there?

Mr. O'DONEL. Certainly.

Mr. VOIGT. Does that give the sales of Swift & Co. for the year?

Mr. O'DONEL. I think it gives the gross amount of business done, $1,200,000,000, as I recall.

Mr. VOIGT. Does that comprise all of their sales or just the sales of meat?

Mr. O'DONEL. All of their sales; all of their business done in that time, I think, $1,200,000,000.

Mr. ANDERSON. $875,000,000 for the meat part, if I remember correctly.

Mr. O'DONEL. I will just mention in passing that their interest paid on borrowed money was $12,572,549.54. That represents, if I am not mistaken, that they had borrowed about $250,000,000. That is some business all right.

They show among their assets an inventory of $191,890,848.81. It is obvious that this whole statement is governed by that inventory. You can make any kind of inventory you like. Without charging that Swift & Co. deliberately misrepresent the situation, yet we know that an inventory is made on the market value of one day, November 1, 1919. And market value is a matter of opinion. Nobody knows what market value is until stuff is sold. An inventory might even depend upon the temperament of the man who makes it. No two men will value things exactly the same. They have to put in what they think is the market value to-day or to-morrow. Everybody knows how these things are done. And a man may be instructed to write a conservative inventory or to write a liberal inventory. Anyhow a variation of one cent on the dollar on this inventory would make a difference of about $2,000,000 in their profits for the year. A variation of 10 per cent would make a difference of about $19,000,000. So, to me, this statement has no value whatever unless there is some way of checking the inventory. That is, I think, all I care to say about that.

But, before I leave that subject, I would call to your attention that the divisions of this famous coin, the Swift dollar, are also governed by this statement in the inventory: It shows 1.6 per cent profit. That profit is also controlled by the inventory, quite naturally.

Now, gentlemen of the committee, in regard to the stockyards: It seems to us a mere matter of obvious justice that the stockyards should not be owned or controlled by the packers.

Mr. WILSON. Isn't that covered by the decree just entered?

Mr. O'DONEL. I think it is, but it is also covered by this bill.

Mr. WILSON. Well, I know, but that consent decree covers it.

Mr. O'DONEL. And it seems preferable to us to have this a matter of legislation rather than a matter of injunction. Government by injunction does not sound very good to a good many people; they would prefer to have it in the statutes.

Mr. WILSON. You do not approve of this decree, I judge?

Mr. O'DONEL. Yes; I approve of the decree as a temporary measure.

Mr. WILSON. Isn't the decree perpetual?

Mr. O'DONEL. I believe it is, but I imagine that if the same matter is covered by legislation, the decree would become inoperative; that instead of an order of the courts to enforce this decree, the same object would be attained by the supervision of the commission established by this bill.

Shall I go on about the stockyards?

Mr. ANDERSON. Yes; you may proceed with your statement.

Mr. O'DONEL. Well, gentlemen of the committee, when we ship our cattle from the farms and the ranches to the markets there is nothing

left for us to do after we load them on the cars but to pray. They go out into the blue. They are then at the mercy of the railroads until they get to the market. They are there unloaded; they are immediately by the employees of the stockyards, which means the employees of the packers, yarded in pens belonging to the packers. They are sold by the employees of a commission firm. While the relation between the packer and the commission firm is that of landlord and tenant, because he rents his office from the packer and gets his yards from the packer, this man is supposed to represent the owner of the cattle. If they wish him to use these pens at this end of the yard he uses them, and if they wish him to use pens at the other end of the yards he goes over there and uses them. The cattle are sold by an employee of the commission firm, which commission firm nominally is our agent, but their relations with the packers are much more binding than their relations with us. The man who sells them is quite possibly a shareholder in Swift & Co. I do not say that of my own knowledge, but I have been informed on good authority that it is quite a common thing for the salesman employed in the yards at Kansas City to hold stock in Swift & Co. If it is so, it is cause for Government regulation, and no firm ought to be licensed to do business in those yards who employs any shareholder in a packing company. The immorality of such a condition is obvious and does not need argument.

And so we think that the stockyards must by all means be taken away from the packers and belong to independent owners. If this situation had not grown up as it has the thing would not need any argument at all. It is so evident that the situation is unjust and the market is one-sided.

As to this new bill (S. 3944), which I sincerely hope and we all hope will be adopted by this committee, it establishes a Federal live-stock commission which will have powers similar or parallel to those of the Interstate Commerce Commission, and whatever bill is passed, if any bill is passed, must have some machinery established to enforce it.

There are a great many people who get scared at the idea of a bureau or commission, but it is a sure thing that the Secretary of Agriculture is not going to enforce the bill himself; he must appoint some one to do it, and it seems to us that the machinery for the enforcement of the bill should be named in the statute rather than to leave the whole thing to the Secretary of Agriculture to deputize somebody to do the work.

The bill also provides a means for investigation and for publicity. That is what we want, and that is, as I have said before, absolutely necessary in order to establish confidence on the part of the public and the producer in these markets. We have got to have open accounting.

I think that is all I have to say, except that I would like to file, if it has not already gone into the record, a resolution passed by the National American Woman Suffrage Association. May I read it?

Mr. YOUNG. I think they have a right to be heard.

The CHAIRMAN. Certainly.

Mr. O'DONEL. The resolutions are as follows, having been adopted at the convention held at Chicago on February 16, 1920:

NATIONAL AMERICAN WOMAN SUFFRAGE ASSOCIATION, CARRIE CHAPMAN CATT, PRESIDENT; PRESS DEPARTMENT, ROSE YOUNG, DIRECTOR; RECOMMENDATIONS OF THE COMMITTEE ON FOOD SUPPLY AND DEMAND.

Whereas, in addition to the results of inflated currency due to the war, the high cost of living in the United States is increased and the production of necessary food supplies diminished by unduly restrictive-private control of the channels of commerce or markets and other distributing facilities by large food organizations and combinations; and

Whereas, if our civilization is to fulfill its promise, it is vital that nourishing food be brought and kept within the reach of every home, and especially of all the growing children of the nation:

Resolved by the League of Women Voters. First. That the principles and purposes of the Kenyon-Kendrick-Anderson bills now pending in Congress for the regulation of the meet-packing industry be indorsed for prompt and effective enactment into law; and that this declaration be brought to the attention of the leading political parties, both in advance and at the time of their respective national conventions, with an urgent request for corresponding and unqualified platform pledges.

Mr. VOIGT. Traders are individuals who buy in the stockyards as the packers do?

Mr. O'DONEL. Individuals who buy in the stockyards, and they are bound together by an organization called the Traders' Exchange—I am speaking particularly of Kansas City—and they have certain rules and regulations and certain discipline.

Mr. VOIGT. Give us a little information about that: Suppose a trader buys a bunch of cattle to-day that are in the stockyards, what does he do with that bunch of cattle?

Mr. O'DONEL. He takes the cattle, and if they need sorting up or if he thinks he can make them more attractive by sorting them, he takes them over to his pen and sorts them. He fills this useful function from the point of view of the commission man of enabling the latter to clear his yards. The commission man having other cattle coming in, and with limited yard space, thereby does not have to wait for somebody to come in from the country to buy these cattle that are not sufficiently finished to satisfy the packers, and he sells them to the trader. The trader takes them out of the commission man's pen and takes them over to his own pen, being fixed perhaps to hold them a day or two, and his object is to resell them of course at a profit.

Mr. VOIGT. Are the traders' pens located in the stockyards?

Mr. O'DONEL. In the stockyards; yes. They have offices in the Exchange Building, some of them; those that have offices at all, I think. They have a directors' board room, and all that kind of thing.

Mr. VOIGT. The trader either resells to the packer or resells to someone in the country.

Mr. O'DONEL. I doubt if he ever sells to the packer. I do not know of any cases of that kind. His object is to sell them to the country men, cattle that go out to feed.

Mr. VOIGT. I am informed that they do sell to the packers sometimes.

Mr. O'DONEL. Well, I speak subject to correction, but I have no information of any such cases.

Mr. VOIGT. Are the commission men engaged in the stockyards permitted to sell to others than members of their organization?

Mr. O'DONEL. Of course they sell to the packers. They are their principal customers.

Mr. VOIGT. I mean outside of the packers. Would they be allowed to sell to a man in the country?

Mr. O'DONEL. Well, I am told that they do now; but there was a time in Kansas City when, although they were allowed to do it by the rules of their exchange, they did not as a matter of fact dare to do it, because the traders would be down on them if they did. The traders demanded a share in the handling of those cattle.

Mr. VOIGT. I believe that's all.

Mr. RAINEY. You spoke about selling some stock: You have buyers go out and buy cattle for you?

Mr. O'DONEL. We do not buy any cattle.

Mr. RAINEY. What do you buy?

Mr. O'DONEL. We breed. We do not buy any cattle except a bull now and then.

Mr. O'DONEL. Kansas City. That is our nearest market; but we sell most of our produce at home on the ranch.

Mr. YOUNG. Assuming that you are shipping 500 head of steers to the Kansas City market, what is the method? The present method is that you load those on cars at your railroad point?

Mr. O'DONEL. Yes, sir.

Mr. YOUNG. And you have to accompany them or send some one along with them to the Kansas City market?

Mr. O'DONEL. Yes.

Mr. YOUNG. And you have no idea when you leave home what kind of a market you are going to find?

Mr. O'DONEL. Very little idea. We know what it was when we loaded the steers on the cars, but we do not know what we are going to strike when we reach the market.

Mr. YOUNG. How many days does it take you to make that trip by railway transportation?

Mr. O'DONEL. Well it takes a great deal longer than it ought to take. I have found that in order to strike Monday's market; that is, in order to be sure of striking it, I have to load my cattle on Thursday evening. But it is only a distance of 600 miles.

Mr. YOUNG. So, ordinarily, you are from Thursday until Monday reaching that market?

Mr. O'DONEL. Yes.

Mr. YOUNG. Now, you have to consign those cattle to some commission man in Kansas City?

Mr. O'DONEL. Yes.

Mr. YOUNG. And that commission man, as a rule, you state has his office rented in the packers' establishment?

Mr. O'DONEL. Invariably.

Mr. YOUNG. And those cattle are unloaded in the packers' yard?

Mr. O'DONEL. Invariably.

Mr. YOUNG. Although you have accompanied those cattle to market, the only jurisdiction you have over them is to sit on the fence and see the commission man try to make a sale of them for you?

Mr. O'DONEL. That is all.

Mr. YOUNG. Those cattle are forced to be sold? That is, you can not return them home?

Mr. O'DONEL. No; you can not take them home.

Mr. YOUNG. That is a physical impossibility?

Mr. O'DONEL. Yes.

Mr. YOUNG. And therefore they must be sold?

Mr. O'DONEL. They must be sold.

Mr. YOUNG. At that particular location?

Mr. O'DONEL. Well, you can take them on to another market, if you do not like that one, but——

Mr. YOUNG (interposing). You are usually headed off by a telegram that has reached the other market telling about those cattle before you get them there?

Mr. O'DONEL. Yes; I believe that is the usual experience.

Mr. YOUNG. So that you, as a producer, of necessity must sell those cattle at the Kansas City market?

Mr. O'DONEL. That is practically our only outlet.

Mr. YOUNG. At whatever price is offered you? That is, you have to take whatever price is offered you, because you can not help yourself?

Mr. O'DONEL. We have to take it.

Mr. YOUNG. And that is what all cattle producers are up against?

Mr. O'DONEL. We have nothing whatever to say about it.

Mr. YOUNG. Not a thing in the world?

Mr. O'DONEL. No, sir.

Mr. YOUNG. Under the same system of marketing applied to the finished meat product—the packers' product—do you suppose they could continue to exist very long if they were to load solid trains of packed beef and start out to hunt a market, and find themselves in New York, for instance; do you suppose they could exist very long under that kind of market conditions, where they would have to sell that stuff in the city of New York and have the price made for them after they got there?

Mr. O'DONEL. I do not think they would stay in business very long if they did not have something to say about the selling price of their product.

Mr. YOUNG. In other words, it would be a very disastrous business for the packer to start out this solid trainload to hunt a market, like these cattlemen have to do to-day?

Mr. O'DONEL. It would be very risky, indeed.

Mr. YOUNG. And yet that is the kind of marketing system that the live-stock industry is now operating under and has been operating under for all these years?

Mr. O'DONEL. Entirely so.

Mr. YOUNG. Take any other manufacturing line of business; say, a Boston shoe manufacturer; and it would not be very good business for him to take his product, loaded on cars, without knowing in advance what he was going to get for them, and strike out down the railroad line to some consuming center and there make his market or find the market after he got there; he would not be in business very long under such conditions, would he?

Mr. O'DONEL. I think it would take a brave man to deliberately go into business under those conditions.

Mr. YOUNG. And yet that is the condition under which all of the live-stock industries are now being operated—the producing end of it?

Mr. O'DONEL. Entirely so.

Mr. YOUNG. So your suggested remedy is, so far as we now see, that the stockyards themselves be forced from the ownership of the packers?

Mr. O'DONEL. That is one of the remedies.

Mr. YOUNG. Yes; that is one of your remedies.

Mr. O'DONEL. Yes, sir.

Mr. YOUNG. And consequently if the commission man must exist, then of necessity in his operations he should be surrounded at least by conditions that will not subject him to criticism that he is under some pressure from the packing institutions by reason of having to rent his establishment and use their yards?

Mr. O'DONEL. That would help the situation a great deal.

Mr. YOUNG. Take steer cattle, the average ones that go on the market, at about what ages do they go on as finished cattle?

Mr. O'DONEL. Three and four years old, as a rule; but some younger. The rule is 3 and 4 years old.

Mr. YOUNG. So that if you produce these cattle on your ranch, if you breed them, it means that you must first have your investment in the ranch?

Mr. O'DONEL. Yes; in the land and the improvements thereon.

Mr. YOUNG. Yes; in the land and the improvements. And you must have your investment in the cattle themselves?

Mr. O'DONEL. In the breeding stock.

Mr. YOUNG. And your overhead charges for managing those cattle?

Mr. O'DONEL. For a number of years; yes.

Mr. YOUNG. And you have to contend with the seasons, both of dry and excessive rainfall?

Mr. O'DONEL. Yes, sir.

Mr. YOUNG. And you have interest charges on your money?

Mr. O'DONEL. Very true.

Mr. YOUNG. And all those risks must be assumed by the man who undertakes to go into the cattle business, yet at the end of a three or four year period, when you find yourself in the market place at St. Louis or Kansas City, you have just that one market and do not know what they are going to give you for your product, and have no way to figure on it?

Mr. O'DONEL. That is the situation exactly.

Mr. YOUNG. That is all I wish to say.

The CHAIRMAN. Mr. Jacoway, have you any questions?

Mr. JACOWAY. No, Mr. Chairman.

The CHAIRMAN. Mr. Rainey, do you wish to ask any questions?

Mr. RAINEY. If you please.

The CHAIRMAN. You may proceed.

Mr. RAINEY. Mr. O'Donel, how many acres are there in your ranch that you speak of?

Mr. O'DONEL. We have about 460,000 acres now.

Mr. RAINEY. Four hundred and sixty thousand acres?

Mr. O'DONEL. Yes, sir.

Mr. RAINEY. When you say "we" have, do you mean that it is a company?

Mr. O'DONEL. Yes, sir.

Mr. RAINEY. Is there considerable outside capital invested in your ranch?

Mr. O'DONEL. What do you mean by "outside capital"? It is a corporation, with capital stock of $1,000,000. But there is no other capital than that.

Mr. RAINEY. Is it all owned here in America?

Mr. O'DONEL. Every dollar of it is owned here in America.

Mr. RAINEY. Do you own all this acreage outright or do you lease some of it?

Mr. O'DONEL. We own all the acreage.

Mr. RAINEY. How long have you owned it?

Mr. O'DONEL. Well, this present company has owned it for about 21 years.

Mr. RAINEY. About what did it cost originally?

Mr. O'DONEL. Well, it is impossible to say what it cost, because the present owners came into it through the fact that they had bought bonds which had been sold with this property as security, and it had been very much oversold, and they had paid a good deal more for those farms than the property was worth; and when the present company was organized, it was formed out of those bondholders who had these depreciated bonds and who exchanged them for stock in this new company. They surrendered a $1,000 bond and took $500 worth of stock in this new company, and even at that time the property did not represent, or was not supposed to represent, even as much as the $500 referred to of stock exchanged for bonds.

Mr. RAINEY. Has it enhanced in value?

Mr. O'DONEL. It has enhanced in value, owing to the fact that all lands have enhanced in value very much in the past 20 years, and cattle are worh more than they were in those days.

Mr. RAINEY. Have the packers been of service or assistance to you in enhancing the value of your lands, or have they been detrimental?

Mr. O'DONEL. Well, it is hard to connect the packers directly with the market price of the land. Of course, it depends to some extent on the value of cattle. Our grazing land would be less valuable if the price of catle was lower. But the trend both of land and cattle has been upward in 20 years, very decidedly upward.

Mr. RAINEY. Do you think this commission spoken of in this redrafted bill—that legislation and administration by a commission would make higher prices for cattle?

Mr. O'DONEL. No; we are not looking to that at all. Oh, no; we are not looking to that at all. We are looking for more stability, and for at least open accounting, and such regulation as will enable us to get the information necessary to satisfy ourselves that the fluctuations in the market are legitimate.

Mr. RAINEY. Do you think that the commission should fix prices?

Mr. O'DONEL. Not at all. No such idea as that has ever entered any of our heads, I think.

Mr. RAINEY. Do you think that the packers have monopolistic control,

Mr. O'DONEL. Practically.

Mr. RAINEY. What do you base your opinion on?

Mr. O'DONEL. On the fact that they buy the bulk of the stuff that is offered for sale; that they buy the bulk of it. I think it is in the record that they handle something like 73 per cent of the interstate meat business.

Mr. RAINEY. I was interested in Mr. Young's asking whether or not the packers, if they ship this dressed meat to New York not knowing the price they were going to get for it and they do not know along the line that the producer of cattle ships from his farm into the stockyards, not knowing the price he is going to get for his cattle, and he does not know: Is it not true that previous to the invention of the refrigerator car so much talked about the packer had to ship his meat to New York, or to any other point, in freight cars, and he could only ship it during cold weather, and when it reached New York or other markets he had to sell it at auction?

Mr. O'DONEL. I believe he still sells it at auction practically speaking. I am not familiar with that, however.

Mr. RAINEY. Before the refrigerator car came into use do you know how fresh meat was sold?

Mr. O'DONEL. It was open to him to ship it on the hoof and slaughter it in New York.

Mr. RAINEY. Would it be profitable to do that?

Mr. O'DONEL. You will have to ask some packer about that.

Mr. RAINEY. As a producer do you think it would be advisable for a packer to ship from Chicago on hoof to New York to be dressed there?

Mr. O'DONEL. I know that it is done.

Mr. RAINEY. Is it done very frequently?

Mr. O'DONEL. I think in these days it is done comparatively seldom because it is more economical to ship the refrigerated carcass.

Mr. RAINEY. It is more profitable to dress the meat in Chicago and pay the freight and other expenses and ship it to New York dressed there to sell it to the consumer, or to the retailer, at the market price?

Mr. O'DONEL. I think so. I believe it is more economical.

Mr. YOUNG. Mr. Rainey, may I ask a question right there?

Mr. RAINEY. Certainly.

Mr. YOUNG. Mr. O'Donel, they have found it more profitable to make the cattle man of Texas and your country and all through the southwest and western country especially, to stand the expense, the risk of loss and so forth, on shipping live cattle to these concentration points at Kansas City and Chicago, where they take charge of them? But the cattle man has had to stand all the losses on the live cattle to these concentration points, and of course they find it more profitable now to kill the cattle there and not ship the live animal on, but to make the cattle men stand all of the loss and risk up to that point?

Mr O'DONEL. Yes, sir.

Mr. RAINEY. But if the producer desires to kill right in Texas, or right on your ranch, Mr. O'Donel, there is nothing to prevent you or him from doing that, is there?

Mr. O'DONEL. Nothing whatever.

Mr. RAINEY. Why do you ship this distance?

Mr. O'DONEL. Because we have no market right at our door. We might occasionally kill one animal and sell it out to our neighbors, but that is not the kind of business we are in.

Mr. JACOWAY. You have no facilities to slaughter in bulk, have you?

Mr. O'DONEL. Oh, no; and we have no market there for quantity.

Mr. JACOWAY. That is what I mean.

Mr. O'DONEL. No market at all. You have to go to the centers of population to get a market for any quantity of dressed meat?

Mr. RAINEY. And you follow that plan because you find it more profitable to ship the animal on the hoof to the stockyards rather than to dress him at your place?

Mr. O'DONEL. It is the only think we can do. I don't think "more profitable" are the words to use, but it is the only outlet we have.

Mr. RAINEY. You have a million dollar concern?

Mr. O'DONEL. Yes, sir.

Mr. RAINEY. And you raise a great many head of cattle?

Mr. O'DONEL. Yes.

Mr. RAINEY. I take it that your company is in business to make money?

Mr. O'DONEL. Yes.

Mr. RAINEY. Then, if you knew you could make more money by dressing your cattle right on your ranch, you would do that, wouldn't you, instead of shipping them on to Chicago or any other place that you do ship them to?

Mr. O'DONEL. Do you suggest that we should build a packing house on our ranch?

Mr. RAINEY. If you so desire there is no one to prevent your doing so, is there?

Mr. O'DONEL. But we are not in the packing business, and are not experts in that line. We are in the business of raising cattle, and want to take care of our cattle in the proper manner.

Mr. RAINEY. You are trying to make as much profit from doing that as you can?

Mr. O'DONEL. Yes.

Mr. RAINEY. And there is nothing to prevent you from killing your cattle and dressing them for market there on your ranch?

Mr. O'DONEL. Except the absence of a market and lack of knowledge on our part of the packing business. You can not be on both ends and in the middle, too.

Mr. RAINEY. Does your organization believe in Government ownership?

Mr. O'DONEL. No, sir.

Mr. RAINEY. Did your organization, this bureau of markets, have anything to do with these resolutions that have been passed in different parts of the country by other organizations and farmers' associations? Some you have read.

Mr. O'DONEL. Did we have anything to do with them?

Mr. RAINEY. Yes.

Mr. O'DONEL. Do you mean did we have any direct influence on them?

Mr. RAINEY. Yes, sir.

Mr. O'DONEL. I think the action of the American National Live Stock Association, it being an association composed of these other associations, was naturally watched with interest by all State organizations and their lead is quite often followed. But I have pointed out that this Kansas resolution was passed practically simultaneously with our action at Spokane, and I doubt if they had any knowledge of it.

Mr. RAINEY. Your market committee has kept in close touch with the Federal Trade Commission, has it?

Mr. O'DONEL. Yes; I believe so.

Mr. RAINEY. And with Senator Kendrick and Senator Kenyon?

Mr. O'DONEL. Yes, sir.

Mr. RAINEY. Have you also been in touch with Mr. Anderson in regard to this legislation?

Mr. O'DONEL. As far as I know we have not until we came here, at this time. The work hitherto has been before the Senate committee and I do not think we have gone beyond that.

Mr. RAINEY. You stated, Mr. O'Donel, that you gave no value to the inventory of Swift & Co.?

Mr. O'DONEL. Yes; I said that.

Mr. RAINEY. Have you any suggestion to offer as to how an inventory should be made? For instance, have you any suggestion as to how they should make up their inventory?

Mr. O'DONEL. I would not attempt to direct them as to how they should make up their inventory, but under Government regulation that should be checked up, and if this inventory had been made under the legislation which we are proposing it would carry confidence and we would be satisfied with it.

Mr. RAINEY. The Federal Trade Commission has had opportunity, have they not, to check up Swift & Co.'s inventory?

Mr. O'DONEL. That I do not know. Perhaps they had.

Mr. RAINEY. With reference to these commission men you speak of out in the stockyard; a live-stock producer would ship in his cattle and they would go to this or that pen in the stockyard.

Mr. O'DONEL. Yes, sir.

Mr. RAINEY. Isn't it true that those pens are assigned as a result of the number of years a man has been in business? That is, a man who has been in business a great number of years has pens allotted to him according to the time that he has been in business, he gets the preference and as a new man comes in pens are allotted to him?

Mr. O'DONEL. I think that is the case to a great extent. But I think the commission firms that do the most business are favored, which would be most natural.

Mr. RAINEY. Not the firm that does the most business; for instance, a firm might have been in business for 25 years and have a very choice location, and a new man might come in and within two years do considerably more business than the firm in business for 25 years, but the last firm to come in would not have as good a location as the man who had been in business for a long time, would it?

Mr. O'DONEL. Well, I do not know about that.

Mr. RAINEY. You do not know how they are assigned?

Mr. O'DONEL. No, sir.

Mr. RAINEY. You spoke of traders. Do you think that the packers control the traders?

Mr. O'DONEL. I do not think they do at all.
Mr. RAINEY. That is all.
The CHAIRMAN. Mr. Heflin, do you wish to ask any questions?
Mr. HEFLIN. I believe not.
The CHAIRMAN. Mr. Voigt, do you wish to ask any questions?
Mr. VOIGT. Yes; I would like to ask a few.
The CHAIRMAN. You may proceed.
Mr. VOIGT. You said you sold the most of your products at home?
Mr. O'DONEL. Yes, sir.
Mr. VOIGT. To whom do you sell in that case?
Mr. O'DONEL. I sell to other cattlemen. We are in the business of breeding cattle, and we sell the most of our product at the age of 1 year to other cattlemen, who will finish them.
Mr. VOIGT. What is your idea about the propriety of permitting the packers to own refrigerator cars?
Mr. O'DONEL. I see no objection to their owning refrigerator cars, but I think that the railroads ought to be compelled to furnish refrigerator cars to the shipping public. I think it is most important, and I am sorry that it has been taken out of the bill. No one wants to take the packers' cars away from them that I know of, but refrigerator cars ought to be available to anybody who has need of them, just as a stock car or an automobile car or any other special car may be had on application to a railroad company.
Mr. VOIGT. You would not be in favor of permitting the packers to own stock cars, would you?
Mr. O'DONEL. I have no objection so long as the shipping public is supplied with all the cars they need.
Mr. VOIGT. Do you think it is in the public interest for one individual or corporation to own and operate means of transportation?
Mr. O'DONEL. I do not think it is right in principle, perhaps, but in the case of refrigerator cars they are a specialty, and refrigerator cars require a great deal of attention, exceptional knowledge, and expert handling, just like the Pullman car. I believe I am right in saying that there is no law compelling a railroad company to furnish Pullman cars to the public.
Mr. VOIGT. You mean refrigerator cars?
Mr. O'DONEL. No; I mean Pullman cars. I am citing a parallel case. But if the railroads were to discontinue supplying us with sleeping cars I do not think it would be very long before they would be compelled by legislation to supply them.
Mr. VOIGT. I do not mean at all to intimate by my question that refrigerator cars should be done away with. I am only asking your viewpoint as to whether or not it is proper for the packers to own these cars. Do not you think that in order to put all men on an equal basis these cars should be owned by the railroad companies?
Mr. O'DONEL. I think if the service could be efficiently performed by the railroads it would be much better in principle and that that is the correct view. But in practice it is doubtful whether the railroads would efficiently perform the service required as in the case of the large number of cars used by the packers.
Mr. VOIGT. Well, that is altogether a matter of regulation and administration, isn't it?
Mr. O'DONEL. Yes; entirely so.

Mr. VOIGT. Do you think it is in the public interest that the packers should deal in a lot of allied lines or nonallied lines?

Mr. O'DONEL. No; I do not think it is. I think there is such a thing as too much power being lodged in the hands of a few men.

Mr. VOIGT. In this decree which has just been entered the packers are permitted to remain in the cheese, butter, egg, poultry, condensed milk, and ice cream business. Do you approve of that?

Mr. O'DONEL. It is a little beyond my special knowledge, but I think we would be doing very well if we could get a law passed along the line of that decree and see how it works out. We can not get everything at once.

Mr. VOIGT. All I want to get at is your personal opinion as to the propriety of letting the packers deal in these other lines.

Mr. O'DONEL. Well, my personal opinion is that if their dealings in these other lines are so large as to constitute practically a monopoly they ought to be taken away from them.

Mr. VOIGT. Suppose the packers control 25 per cent of the given product?

Mr. O'DONEL. Well, that would be very dangerous because with their superior organization they could come very nearly dictating prices even with 25 per cent control.

Mr. VOIGT. What is your idea about this point: Can the packers or can an individual who is in business and who controls only 10 per cent of a product largely influence the price of that product?

Mr. O'DONEL. I think, broadly speaking, he could not. It is rather a matter for a specialist to speak of, I think. I should say, speaking as a general rule, that it is not probable.

Mr. VOIGT. Suppose you as an individual could control 10 per cent of the normal cattle supply of this country, could not you very largely influence the price?

Mr. O'DONEL. I could very largely influence it, yes. I could very largely influence it, I will go as far as that.

Mr. VOIGT. Have you any suggestions to make by way of improving the bill reported by the Senate Committee on Agriculture and Forestry?

Mr. O'DONEL. Only the suggestion that I have made, that the traders on the market ought to be included in the bill. I ought to explain, perhaps, that the trader by buying everything on the market that does not go to the packer, cattle as a rule that are not fat enough for the packers and that are destined go to the country as feeders, have a direct connection there, and I think they ought to be included in the bill. They have a very powerful organization, and they have a power which they do not hesitate to use.

Second. That the food supply and demand committee be authorized to keep in touch with the progress of the proposed legislation and to cooperate with the National Consumers' League, the American Live Stock Association, the Farmers' National Council, and other organizations of like policy, in an effort to promote through legislation the realization of such principles and purposes. Furthermore, that the committee in food supply and demand be authorized to confer with the Department of Agriculture in regard to the extension of its service, with a view to establishing long-distance information to enable shippers and producers to know daily the supplies and demand of the food market.

Third. That the early enactment of improved State and Federal laws to prevent food profiteering, waste, and improper hoarding is urged and the strict enforcement of all such present laws is demanded.

Fourth. That the various State leagues of women voters are requested to consider the advisability of establishing public markets, abattoirs, milk depots, and other terminal facilities.

Fifth. That aid be extended to all branches of the league of women voters in spreading knowledge of the methods and benefits of legitimate cooperative associations, and that indorsement be given to suitable national and State legislation favoring their organization and use.

Mr. ANDERSON. Might I not ask if the organization referred to has its headquarters in the fourth congressional district of Illinois, being Chicago?

Mr. RAINEY. No; but its members who think well live in the fourth congressional district.

Mr. O'DONEL. Is that all, gentlemen of the committee?

The CHAIRMAN. Mr. Tincher, do you wish to ask any questions?

Mr. TINCHER. No; I believe not.

The CHAIRMAN. Mr. Wilson, do you wish to ask any questions?

Mr. WILSON. No.

The CHAIRMAN. Mr. McLaughlin, do you wish to ask any questions?

Mr. MCLAUGHLIN of Nebraska. I believe not.

The CHAIRMAN. Mr. Young, do you wish to ask any questions?

Mr. YOUNG. I want to visualize present market conditions: You stated that you had been in the actual cattle producing business some thirty-odd years, I believe?

Mr. O'DONEL. Thirty-five years.

Mr. YOUNG. In what States?

Mr. O'DONEL. For 13 years in Texas and for the past 22 years in New Mexico.

Mr. YOUNG. From your present location, what is your market point?

Mr. RAINEY. Supposing you sent out a man to buy a bull. Suppose you wanted to buy two bulls, as near alike as possible, and one man went out and bought one for $150 and the other man you sent out paid $175 for the same kind of a bull. Would not you look more favorably on the fellow who saved $25 in the transaction?

Mr. O'DONEL. Well, of course, there could be easily a difference of $25 in value between one bull and another. No two are the same value.

Mr. RAINEY. What I am trying to get at is, you said you sold some cattle at $5.65, or you were bid that price on them, and the same kind of cattle were in another pen and you were bid $5.10; and another man came along and bid $5.60 because he was told that somebody else had bid $5.65. You do not think if Swift & Co., we will say, bought cattle at $5.65, that Armour's buyer would pay $5.75 for them, do you?

Mr. O'DONEL. I am quite willing to grant if that is what you mean it is the business of the packers' buyers to buy cattle as cheaply as they can. That is what they are there for. There is no reason in the world why they should not.

Mr. RAINEY. Well, what did you have in mind in connection with that suggestion?

Mr. O'DONEL. What I wanted to point out was that the buying was rather loose, and that kind of loose buying did not indicate very close margins.

Mr. RAINEY. Very close margins for whom?

Mr. O'DONEL. In the outcome for the packers. They would obviously make several dollars more on the cattle bought at $5.10 than on cattle bought at $5.65.

Mr. RAINEY. That is your privilege?

Mr. O'DONEL. Of course it is.

Mr. RAINEY. They are trying to buy as reasonably as they can?

Mr. O'DONEL. Of course, they are.

Mr. RAINEY. You are trying to sell as high as you can?

Mr. O'DONEL. Of course, I am.

Mr. RAINEY. That is all I wish to ask.

The CHAIRMAN. It is now 12.20 p. m. The committee will recess until 2 o'clock p. m.

(Whereupon at 12.20 o'clock p. m. the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

The CHAIRMAN. The committee will come to order. Mr. O'Donel, you may proceed.

STATEMENT OF MR. CHARLES M. O'DONEL, BELL RANCH, N. MEX.—Resumed.

Mr. ANDERSON. Mr. O'Donel, this morning I think Mr. Rainey made some inquiries about your concern and its predecessor. Did I understand you to say that the organization which preceded the one with which you are now connected went out of business?

Mr. O'DONEL. Yes, sir; it went out of business.

Mr. ANDERSON. Was that a cattle-raising concern?

Mr. O'DONEL. It was a cattle-raising concern; yes, sir.

Mr. ANDERSON. What was the reason for its failure?

Mr. O'DONEL. Well, low prices. It was at a time of very depressed markets.

Mr. ANDERSON. You referred to a telegram signed by various gentlemen with reference to what they supposed took place at the Spokane convention. I think one of those gentlemen was Charles Clayton, of Denver, Colo.; am I correct about that?

Mr. O'DONEL. Yes; that is correct.

Mr. ANDERSON. Is he the same gentleman whom the hearings show came here to testify against the Borland resolution?

Mr. O'DONEL. No doubt the same man. I have no recollection of his coming here, though.

Mr. ANDERSON. I have before me a copy of the hearings before the Senate committee on Senate 2199 and 2202, which contains a copy of a letter addressed to Mr. Thomas E. Wilson, signed "A. D. W.," which evidently refers to Mr. A. D. White, who, I think, is connected with Armour & Co. The letter is as follows:

DEAR MR. WILSON:

There has been no definite understanding regarding disposition of the expense incurred in taking various cattlemen to Washington for the hearing on the Borland resolution.

The expenses were paid by Swift and Armour, and Mr. Meeker suggests that I advise you of this fact and suggest that we each carry the expense

incurred, individually, until the affair is over, and then distribute them among those interested on a basis that may be mutually satisfactory.

In the absence of any other advice, I will consider that this is satisfactory to you.

Yours, respectfully,

A. D. W.

That means A. D. White. The cattlemen referred to were the following:

I will only refer now to one name mentioned, Charles Clayton, Denver, Colo. That is the same gentleman you referred to as signing this telegram?

Mr. O'DONEL. Presumably, the same man. I think there is only one Charles Clayton engaged in the business.

Mr. RAINEY. May I ask a question?

Mr. ANDERSON. Yes.

Mr. RAINEY. Mr. O'Donel, do you think it objectionable for the packers to pay the transportation of any witness necessary for them to bring here to controvert statements made regarding their industry? Do you not think they have that right?

Mr. O'DONEL. I think it is open to criticism.

Mr. RAINEY. In what way?

Mr. O'DONEL. I think the payment of expenses would naturally color the testimony given by the payee.

Mr. TINCHER. If, for example, this is the same man who was brought here at their expense, that might to some extent account for the false telegram he sent to the Senate.

Mr. O'DONEL. It may have some influence on it.

Mr. ANDERSON Mr. O'Donel, one of Mr. Rainey's questions rather suggested that if you did not like the way the packers did business, you could butcher your own cattle and sell them. Now, it is true, is it not, generally speaking, that owing to the shrinkage in transportation, it is desirable to butcher the cattle as close to the place of production as possible?

Mr. O'DONEL. That would be economically advisable, yes.

Mr. ANDERSON. But, of course, a packing plant requires a constant and fairly uniform flow of stock, which, of course, it is not possible for any one rancher to furnish; is not that correct?

Mr. O'DONEL. That is correct. Our cattle are only fat at one season of the year.

Mr. ANDERSON. So that it is totally not feasible for you as a rancher to market your own cattle except through the existing machinery whether you like it or not.

Mr. O'DONEL. Yes; it would be quite impracticable.

Mr. ANDERSON. That is all.

Mr. RAINEY. May I ask one of two questions?

The CHAIRMAN. Certainly.

Mr. RAINEY. Mr. Young this morning suggested in his questions to you that the producer did not know, when he shipped his cattle, what price he was going to get for them at the market.

Mr. O'DONEL. That is correct.

Mr. RAINEY. Is it not true when the packers ship their beef, they do not know what price they are going to receive?

Mr. O'DONEL. I believe they have so stated.

Mr. RAINEY. Mr. O'Donel, will this decree prohibiting the packers continuing in these unrelated lines affect the prices of live stock?

Mr. O'DONEL. I do not see why it should.

Mr. RAINEY. In handling unrelated lines, it is presumed and it has been suggested they have made large profits. Now, then, if driven out of unrelated lines, they will not be able to make profits heretofore made in these lines, and may not be able to pay as much as they have heretofore, will they? Or will the consumer benefit by it? There is some saving in overhead as a result of their ability now to deal in unrelated lines, is there not?

Mr. O'DONEL. There ought to be. That is the alleged justification for their engaging in those other activities, but I think the principal objection to their engaging in these unrelated lines is that in course of time they would force the small man, the wholesale grocer, out of the business, and then they would have complete control of the market as to those articles of commerce, and would have the power to raise or lower prices as they saw fit. That is the objection that I see.

Mr. RAINEY. Do you think the packers control the meat business, Mr. O'Donel?

Mr. O'DONEL. Practically; yes.

Mr. RAINEY. You mean they are in combination?

Mr. O'DONEL. I do not think that any stated, fixed combination or contract is necessary. It seems to me that when a couple of buyers are going down to the yards, say, an Armour man and a Swift man, and one of them says: "Well, Bill, I think we can take off a quarter to-day," and the other fellow says: "It looks like a pretty good run in, I guess we can," that is the sort of thing that is unavoidable. If that does not happen, it is a very surprising thing to me, because men being what they are and business being what it is, it is bound to happen. That is the sort of thing that you can not prevent, and I do not believe it can be stopped by legislation, and I do not know that it is desirable to legislate against that kind of thing. I do not see how we can prevent any men engaged in the same line of business from consulting together, and I think it is entirely unnecessary on their part to enter into any compact about prices. They probably understand each other perfectly well. They are working alongside of each other day after day throughout the whole year, and the slightest hint among themselves is sufficient.

Mr. RAINEY. That is all, Mr. Chairman.

The CHAIRMAN. Is the purpose to put the packers out of business?

Mr. O'DONEL. Do you mean this legislation?

The CHAIRMAN. When I speak of packers, I mean all the packers?

Mr. O'DONEL. You mean is it the purpose of this legislation?

The CHAIRMAN. That is not the purpose of any legislation?

Mr. O'DONEL. Absolutely not. I consider that this legislation would be of great benefit to the packers. It would be the greatest asset they could have to establish confidence in the market.

The CHAIRMAN. Would it not do away with monopolies and conspiracies if any exist?

Mr. O'DONEL. If any such exist, yes; that is the intention.

The CHAIRMAN. Have you examined the bill that was reported by the Senate committee?

Mr. O'DONEL. Yes, Mr. Chairman; I have read it.

The CHAIRMAN. Do you believe that it goes as far as the legislation should go?

Mr. O'DONEL. As I have said, I am sorry that the provision about refrigerator cars was taken out of the bill. That is my personal view.

The CHAIRMAN. May I call your attention to one paragraph which reads:

> The term "live stock products" means all products and by-products of the slaughtering and meat packing industry derived from live stock.

Further, on page 9, section 12, the bill provides:

> It shall be unlawful for any packer to * * *

Then on page 10:

> Engage or participate in any manner, either directly or indirectly in the business of purchasing, manufacturing, storing, or selling foodstuffs other than live-stock products where the effect of such participation in such business may be substantially to lessen competition in or to restrain commerce or to tend to create a monopoly in commerce, in any line of foodstuffs.

Do you think that is specific enough and will it answer the purpose desired?

Mr. O'DONEL. It is written in very general terms.

The CHAIRMAN. It does not prohibit them from going into the thing; but only limits them?

Mr. O'DONEL. Only to the extent it may interfere with the free movement of commerce.

The CHAIRMAN. I did not catch that.

Mr. O'DONEL. Only to the extent it may interfere with the free movement of commerce and competition. If they become so big and handle such a large volume of these commodities, that would interfere with the freedom of commerce.

The CHAIRMAN. That would then have to be determined by the courts?

Mr. O'DONEL. That would have to be determined, as I understand, by the commission subject to an appeal to the courts.

The CHAIRMAN. Yes; probably. That is all.

Mr. HULINGS. I would like to ask a question. If you assume that one concern or a combination of the packers could furnish to the consumers all these unrelated products, including meat products, at a little less than if it was divided up amongst thousands of small operators, what, in your opinion, would be the advantage to the public in paying the greater price to the many operators.

Mr. O'DONEL. I have tried to make myself clear on that, but perhaps I have failed to do so. I think the danger is that the packers, with the immense capital at their disposal and the enormous facilities for distribution which they already have, might eventually put all the other people out of business, and then would come the danger. Then would come the time when they would have it in their power to raise or lower prices at their will. Of course, it may be they would not take any advantage of that situation, but I do not think that we ought to allow them to reach that position, where they would have the power, because power where it is once lodged will generally be exercised.

Mr. HULINGS. You have read into the record a lot of resolutions of people who are interested in cattle growing, in which they protest against the unjust and illegal practices and unfair practices of the packers. Now, do you know what they base their action on? What is the reason? Why do they do it? What are they complaining about, specifically? Resolutions, I do not suppose, have much weight with people making up their minds; resolutions of some other people about facts that have been sufficient for them. What is the gravamen of the offense? What do they do that is complained of?

Mr. O'DONEL. The principal ground of complaint, I think, is the violent fluctuations of the market which are, as far as we can see, often causeless. These falling markets cause enormous losses to the feeder. A man may put a bunch of cattle in the pens to feed when the market is high. It may look to him like it is going to stay high; that the supply is inadequate to meet the demands of the country. By the time he has those cattle fed out—and it is probably a matter of several months—he will find the market gone to the devil. He can not market them without taking a loss, which sometimes runs as high as $50 a head on the cattle. In this last year, in 1919, there were many cases where men lost $50 a head on their cattle. That is one of the principal causes of the distruct of the market which we are all desirous of eliminating.

Mr. HULINGS. In what respect would the elimination of dealing in these unrelated products affect that?

Mr. O'DONEL. I do not know that it would have any effect whatever on the beef market. I do not think that any claim has been made that it will be affected by that. That is another problem.

Mr. HULINGS. It is charged that their buyers are "cahooting" around with each other in order to beat down the prices, there being practically only one buyer?

Mr. O'DONEL. To a certain extent, it is believed that they do, but as I have already said, it is quite unnecessary that they should have any contract or written agreement about it. They can work without that.

Mr. HULINGS. A gentlemen's agreement. That is all, Mr. Chairman.

The CHAIRMAN. We are very grateful to you, Mr. O'Donel.

Mr. O'DONEL. I thank the committee for its attention.

STATEMENT OF MR. E. C. LASATER, OF FALFURRIAS, TEX.

Mr. LASATER. Mr. Chairman, my business is farming, ranching, and dairying, and I appear before this committee as chairman of a committee appointed by the Farmers' National Board on the packer situation, and also as a member of the Farmers' National Council Committee, of which Mr. Gustafson, of Nebraska, is chairman.

Since this fight started, Mr. Chairman—and it is a fight, a fight between the home owners and home builders of America and the Chicago packer—the gentlemen of the opposition have kept me gravitating between despair and hope, and at times, surprise. At the starting of your hearing the other day I experienced all three emotions in a very short time. When a member of this committee

advises the committee that he had gone into the matter of the charges against the Chicago packer, personally, and that he had found them groundless, I despaired. Later, when he stated to the committee that his investigation had been made with the leading packers and the personal attorneys of the leading packers, I felt somewhat assured. When the gentleman further stated that when he returned to Washington and took the matter up with his colleagues and told them of the true situation, their reply was, "Oh, that may be the fact, but this is good dope to send to the country," I was surprised. When the chairman of this committee called for the production of the names of these colleagues and the gentleman did not come across with the names, I was hopeful, and since hearing the analysis of the situation by Mr. Anderson, a member of this committee, hope has been growing strong.

Now, Mr. Chairman, I notice that members of this committee have been anxious and have insisted on an expression from every witness I have heard testify of their opinion upon the consent decree of the Attorney General and of the Chicago packer, so to get that behind us, I will give this committee my opinion at the start.

I am opposed to any legislative functions being exercised by any appointed power. These powers should remain in the hands of the representatives elected by the people. Their assumption should not be permitted by any delegated authority.

I am opposed to our system of jurisprudence recognizing the policy of consent decrees for the men of millions, in effect holding that the population of our prisons should be men of no wealth: and I think that every male adult of the houses of Armour, Swift, Morris, Wilson, and Cudahy, with their personal attorneys, could be put in the penitentiary without seriously disturbing the economic slaughter and distribution of live stock and live-stock products for more than 90 days, and that, within 12 months, there would be a state of hope and confidence pervading the producing world that we have not known during our generation.

Mr. WILSON. Mr. Chairman, we have not had any such personal animosities exhibited before in this committee. We have been hearing testimony pertaining to this legislation and it does not sound like it is just right to have the witness stand up there and talk about these men being in the penitentiary or in an asylum or any place.

It does not make any difference to this committee what you think about that, and I do not think it is right that you should do that at all. We have not had anything like that before in this hearing, and I really think that it ought to be dispensed with.

Mr. LASATER. Mr. Chairman, might I state that these gentlemen whom I have just mentioned have attacked the honesty and the truthfulness of one of the commissions of this Government?

Mr. WILSON. They have not done that in this committee hearing so far.

Mr. LASATER. They have done it in this committee hearing by publishing the country over what purported to be facts, and I charge any member of this committee to demonstrate that they are facts.

Mr. WILSON. I do not know anything about that.

The CHAIRMAN. Was that recorded in any of the hearings before the Senate committee or any other committee; that is, that they attacked the commission?

Mr. LASATER. I think they have attacked them right here since this committee has started its hearings. If I recall aright, both Mr. Wilson's attorney and Mr. Veeder have attacked before this committee the facts as brought out by this commission. Now, Mr. Chairman, I think that we can not get the legislation needed to correct this evil by pink-tea hearings. You have got to state facts as they are before any committee is going to feel justified in giving the country the relief asked for. Now, I undertake here and now to make no statement here that I do not back up with facts.

The CHAIRMAN. Any fact that is backed up by what appears in the record, I take it, is perfectly in order.

Mr. LASETER. If I state any fact that is not backed up, I think my entire testimony should be discredited by this committee.

Mr. WILSON. I still think, Mr. Chairman, that animosity that may exist has no place in this hearing at this time, and I, for one member of the committee, do not like to sit here and listen to it. It is not fair to anybody and it does not help us legislate at all. It just drags out the hearings, creates bad feeling, and I do not think it is a proper thing to do.

Mr. MCLAUGHLIN of Nebraska. Now, Mr. Wilson, let us analyze that a little. I did not just like the sound of the statement of the witness when he spoke of the fact that these persons, members of these families engaged in the packing business, might all be placed in the penitentiary and let the business go on. I did not like just that phrasing, but the witness did not say they should be there. He might have said that if they were entirely disengaged from the business the business would go on just the same. I take it that is about what he wanted to say.

Mr. WILSON. I do not know what he wanted to say, but it sounded to me like he thought they ought to be there.

Mr. LASATER. Mr. Chairman, may I make this explanation as to that phase of it?

The CHAIRMAN. Yes, Mr. Lasater.

Mr. LASATER. In the questions that have been put by this committee to witnesses who preceded me one of the witnesses who testified and who is in favor of this legislation stated that he might have acted as Attorney General Palmer did if he thought that these packers were essential to the well-being of the country. Now, from my standpoint, and I hope I will be able to make this clear, these particular packers are not essential to the well-being of the country, but that some of the iniquities of the packing business as it is to-day conducted should be corrected by legislation I am absolutely convinced of. I think they will have to be corrected if we are to feed our people. Now, I think that can be made at this time so clear that it will be accepted even by Mr. Wilson of this committee. With your permission——

Mr. WILSON. That is all right; go on. I am perfectly willing to have you testify or to state these iniquities that you talk about and all that, but I do not think you ought to talk about putting them in the penitentiary, etc., and criticizing the Attorney General for not putting them there in place of accepting this decree, etc. We have not had any of that before in the committee, and do not let us have it now. Let us have as friendly a hearing as possible here. I am

a Chicago man, and I know these people, and I know, so far as I am concerned and the people of Chicago are concerned, they are not criminals, and your stating that it is so before this committee does not make it any more pleasant for the members of this committee from Chicago. I am frank to say that, and I do not think it should be done. It does not sound well.

Mr. LASATER. My stating it so would not make it so, but if it can be shown to this committee that in effect they have been preying upon the country in a very large way——

Mr. WILSON (interposing). You can go on and show it so far as that is concerned, but do not simply make the statement and then simply pass on and say nothing more about it. That is what I was challenging in your statement.

Mr. LASATER. I think you would be perfectly justified if I simply made the statement and said nothing more about it. With your permission I will continue.

Mr. WILSON. Yes; that will be all right.

Mr. LASATER. Hope and confidence necessarily must inure to increased production. I admit that my experience has been that the "packer" is somewhat more advantageously situated so far as getting control of our dollars than Uncle Sam is. Before Uncle Sam can get possession of our dollars, he has to get the consent of our representatives. The Chicago packer has been so situated that he could help himself and has not been courteous enough to even suggest, "By your leave."

I regret the Attorney General did not attempt to demonstrate that Uncle Sam's courts can put malefactors of great wealth behind the bars. I object——

Mr. WILSON. I have heard lots of people talk that.

Mr. LASATER. I object to that idea getting possession of the public mind. I do not think the possession of millions should make any difference with a man who stands charged with the commission of a crime before a court of this country.

Mr. RAINEY. Do you believe it does?

Mr. LASATER. Unquestionably I believe it does. The country believes it does, and I think that is one of the things we have to dread.

Now, from my standpoint, Mr. Chairman, I think this committee should require responsibility demonstrated and proven by those who appear before it to testify as experts. In this matter, we have had the five big packers, with their personal attorneys and certain economists, testifying. They were testifying about matters about which they were well posted. I admit that when I appear here and ask this committee to listen to me, I should be put in that class. I am supposed to be posted on what I attempt to discuss. I think that if it can be shown that myself or any one of the packers in making statements before the legislative committees have made statements that they knew were not founded upon facts, that their testimony should all be discredited before these committees. I will attempt to show that that has been done.

Now, as to the matter of comparative profits between the packers and the producers. That is a matter that is pertinent to this question we are now discussing.

I desire to introduce before this committee certain testimony given by Mr. Armour, Mr. Swift, Mr. Wilson, and Mr. Morris before the

Committee on Interstate and Foreign Commerce, that had a hearing on the matter last January.

Mr. Armour says:

Gentlemen, in searching out the reason for high prices—and that is the underlying reason, I believe, which caused the President to direct that there be an investigation—your finger can not be laid on the Amercan meat packer. Our profit on a steer amounts to approximately $1 a head. Mind you that is the profit on the whole steer, not merely the profit on the meat. I ask you to compare our profit with that of the cattleman, for instance, who told me recently that he made $50 a head on the animals he sold during the past year. I am not charging him with making an excessive profit, but I want you to consider the relative importance of the packer's $1 profit with the $50 earned by the cattleman. During the last 18 years, including the war period, the earnings of Armour & Co. on the actual investment and appraised value of the business averaged 8.9 per cent. On everything, gentlemen. Including all our by-products and all our associated lines, and also all our business in what the Federal Trade Commission says in unrelated to the packing industry, our profits represented less than 9 cents annually on each dollar invested in our business.

Can anyone fairly maintain that our share of the dollar paid by the consumer for the goods we put in his reach is excessive?

These four men now under discussion are four of the best posted men on cattle conditions in the United States, because practically the four big packers finance the cattle industry, so there are no men who are closer related or know more of the real facts as to the way the producer has fared for the past 30 years than do the gentlemen I am now discussing. Now, that was Mr. Armour's testimony on page 658, part 4, of the report above referred to.

Mr. Swift's testimony commenced on page 881. The question is put by Mr. Winslow, of that committee:

Mr. WINSLOW. Have you any knowledge which would warrant you in arriving at a conclusion as to the business efficiency of producers and others who furnish cattle to the packer?

Mr. SWIFT. Have I any knowledge about their efficiency?

Mr. WINSLOW. Yes; their business efficiency, and in their way of handling their production of cattle.

Mr. SWIFT. Well, you see there is a great variety about their methods. Some of them are extremely efficient, and some of them are extraordinarily negligent. Some of them fail and have to go out of business, while others of them succeed, stay in the business and become very rich men.

Mr. WINSLOW. Is there any considerable number of notable instances of men who have persistently kept on in the business and made a reasonable profit?

Mr. WIFT. I think there are a great many.

Mr. WINSLOW. Would you fel that there is as large a percentage of successful producers of cattle, say in the last 25 years, as in any other line of business?

Mr. SWIFT. There is.

Mr. WINSLOW. Have you in your mind an idea of about the average percentage of profit among the successful producers of cattle—take, for instance, for 25 years back—about which I have asked you?

Mr. SWIFT. Oh, I could not give you the average percentage. There have been some very large profits made, but I could not tell you what they are.

Mr. WINSLOW. Would you feel, in accordance with your best judgment, as far as you can form it without the figures, that the business of producing cattle for the past 25 years has, in all general respects, been as profitable as the average run of business throughout the country?

Mr. SWIFT. Ye, sir; I think it has been done.

Mr. WINSLOW. And you would say that it is just as inviting a field for a man to go into at this time as any other ordinary business?

Mr. SWIFT. I would think if a man had a farm, and would put hogs with cattle, and would conduct the business in a proper manner; yes, sir.

Mr. WINSLOW. Certainly; and you would say the same thing of a plumber. If he had the necessary melting pot and the things to go with it, he can do

certain work that the plumber must be able to do if he is to conduct the business.

Mr. SWIFT. Yes, sir. I might add that I understand these men have made as high as $20 a head in feeding cattle and selling them to packers; that they would average $20 a head, say, for the last two years.

Mr. MONTAGUE. Do you mean net profit?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. I am not so particularly concerned with the last two years, because they have had an umbrella held over them during that period; but, say, for the past 25 years—or I will say for the first 23 of the past 25 years—would you say that a man with ordinary intelligence in the setting up of his plant and operation of it has had as good a chance to make a profit as a man in any other business has had?

Mr. SWIFT. I would. But they had a pretty hard time 15 or 20 years ago. The farmers and everybody had a hard time of it, because stuff was so cheap. For instance, corn might sell for 15 or 20 cents a bushel, and they would then have to sell their cattle cheap. I do not think their profits then were what they should have been; but since that time, coming up along toward the war times, say, perhaps for 10 years, the average has been good.

Mr. WINSLOW. I did not quite want to ask you on that plan, for the reason that there is no occasion for eliminating a dull period to the producer of cattle any more than we should eliminate a dull period from consideration in connection with the man who runs a cotton mill or a woolen mill, or a man in the building-trade business, or a man in any other business. He must take the bad with the good, the dull with the sharp demand, the same as you do any everybody else does. So if we can agree on a period of 25 or 30 or 40 years, if you choose, I would like to have your judgment as to whether or not in the long run, as in any other business, the cattle grower has as good a chance for success and profit as the man in any line of commercial activity—that is, for a fair return in the business?

Mr. SWIFT. I believe they have had for 25 years, and for the past 15 years it would be better.

Mr. WINSLOW. That latter period would help their average?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. You think that for 25 years there has been no excuse coming for the cattle grower if his business has been intelligently organized and conducted?

Mr. SWIFT. No, sir.

Mr. WINSLOW. And, further, no greater proportion of producers of cattle have failed in their business during the past 25 years than of men in any other line of commercial activity?

Mr. SWIFT. That is true.

Now, from the same hearing, page 1301, Mr. Wilson testifying:

Mr. WINSLOW. What is your opinion as to the business acumen of the producers, taken as a class?

Mr. WILSON. Well, I have a very high regard for them as a class. I think they are very capable men.

Mr. WINSLOW. Do you feel that they do their business with reasonable commercial efficiency?

Mr. WILSON. Speaking generally; yes.

Mr. WINSLOW. Do you think they keep an account of the cost of their production?

Mr. WILSON. Not as a general rule. The larger of them do, but they do not keep it as a general rule. The average feeder of a few cattle, or the average raiser of a few cattle, I do not think they keep intelligent costs of their operations.

Mr. WINSLOW. Would you think if they were more efficient in keeping costs and expenses as they ought to do, they might make more than they do now, in a general way?

Mr. WILSON. I think so. I think the detail knowledge of progress that one has makes for efficiency and always helps.

Mr. WINSLOW. The point was raised here early in the hearings that it might be well, among the various lines of endeavor that Congress has appropriated for, to send men out through the country to show producers how to become more efficient and economical. Do you think there would be any field for such service as that?

Mr. WILSON. There is a field for that, and I think that is being done now to some extent. I think the Department of Agriculture is doing some work along that line. And these county agents around the country are also doing that work. They are advocating more intelligent operation in that way. But it is a big field and a worthy field.

Mr. WINSLOW. Do you refer to these county agents who are sent to take the temperature of cattle because they do not attend to it themselves?

Mr. WILSON. No; that is specific work.

Mr. WINSLOW. Have you any opinion to give as to the department in which the greatest profit is made in the business, taking in the producer, the packer, the jobber, and the retailer?

Mr. WILSON. Well, my opinion is—and I have one, yes—that the greatest profit is made by the producer.

Mr. Morris on the stand:

Mr. HAMILTON. Can a feeder out on the range feed cattle and make as good a profit as you have been making?

Mr. MORRIS. There has not been any investigation of that matter and I am not in a position to say.

Mr. HAMILTON. How are cattle ordinarily fed for the market? My friend, Mr. Stephens, suggested that they did not feed cattle on the range. I suppose he meant they took them right off the grass and fed them afterwards.

Mr. STEPHENS. In the corn belt.

Mr. MORRIS. There are a great many cattle that do not have any range, and then there are grass cattle.

Mr. HAMILTON. He suggested that they get them ready for the market in the corn belt somewhere.

Mr. MORRIS. Yes, sir.

Mr. HAMILTON. Can the feeder feed cattle in the corn belt?

Mr. MORRIS. Although this was going to be a big part of the investigation, to find out something about the feeding problem, as far as I know the Federal Trade Commission did not investigate that part of it. I have no figures on that matter.

Mr. HAMILTON. You have no information.

Mr. MORRIS. I have friends who have done very well feeding cattle.

Mr. HAMILTON. Have you every reason to believe that other feeders have done as well as you have?

Mr. MORRIS. I think a great many feeders have done as well as we have, but not every feeder.

Mr. HAMILTON. Then the feeders are making more money per head of cattle than any other people connected with the business?

Mr. MORRIS. I think the feeders have been very prosperous in the last few years.

Mr. HAMILTON. You have been making more money in your feeding business than in your other business?

Mr. MORRIS. Yes, sir; we have made between $40 and $50 a head on feeding cattle and on the stuff we kill, including all our by-products in connection with the meat, we only made 89 cents per head.

As I said, Mr. Chairman, the four gentlemen who have given this testimony are as well posted as it would be possible for any man in the country to be on the results to the producers of the beef that has fed this country, because, as I tell you, they are practically our bankers.

I am going to ask your indulgence while I show some of the conditions of the cattle producers of the country for the past 30 years.

I notice that Mr. Rainey, even in this investigation, although I thought it was pretty well exploited before the Interstate Commerce Committee hearings, attempted to create a prejudice in the minds of the members of this committee against the Federal Trade Commission, because they did not report on the cost of the producing of live stock.

Mr. RAINEY. I want to correct you as to statements being made to create any prejudice in the minds of the members of this

committee or anybody before the committee. I am here as a member of the committee attempting to get the facts from you and the other witnesses as they appear, and I resent any imputation of trying to prejudice the members of the committee or anybody else.

Mr. TINCHER. I would not bother the witness.

Mr. LASATER. It does not bother me. I am very glad the gentleman interrupted me. I will make this statement. Of course, we have had a great deal of packer testimony before the committee. They have gone along that line. I read just a small part. You can find much more testimony from all of these packers on what I have just read, but I picked out as little as I could to give this committee the impression which they have been trying to create before the committees. Now, when the President instructed the Federal Trade Commission and the Department of Agriculture to make this investigation on both the cost of the production of the cattle and on the conduct of the packing business, as I explained briefly, it devolved upon the Department of Agriculture to investigate the cost from the farm to the stockyards, and then the Federal Trade Commission was supposed to follow the animal on into consumption.

The Secretary of Agriculture in the late summer and fall of 1917 sent certain experts over the country to ascertain these costs of production. There were two of them who arrived at my ranch and took charge of the office. They asked us a few questions and then they took our books and worked out their own figures. Under date of August 20, 1919, I received this letter with the attached exhibit to it:

Inclosed please find a brief statement covering the cost of producing cattle as drawn up from the material supplied by your office in the spring of 1918. It shows the average cost, over the five years 1913 through 1917, of raising a yearling, two-year-old, and three-year-old steer on your ranch at Falfurrias.

We were well under way drawing up these statements when the men working on them left for overseas duty on special war work, and the stress of emergency work here since then has caused the delay in getting them into shape for you. I am sure you will pardon this delay.

We are now about to start what we feel will be a very comprehensive study in cooperation with ranchmen and cattle feeders, in the cost of producing beef in its several stages of production from grass through the important channels it takes before reaching the market. The work among western growers will start shortly after the first of the year, at which time I trust we may again have your hearty support and cooperation.

I will file this with the committee.

(The statement filed by Mr. Lasater follows:)

The feeds appearing on the books as purchased between the dates of July 1 and July 1 were considered as the yearly feed cost. The lack of yearly inventories of feed and supplies, together with advance payments on supplies, to be delivered after July 1, made it impracticable to compare one year with another, especially as regards feed, freight, and veterinary charges.

Drought conditions in Texas during 1916 and 1917, together with an accompanying increase in the price of feedstuffs, has necessitated expenditures for feeds in many instances more than treble customary outlays. Labor, freight, and taxes are other items of expense which show the influence of general advances and war conditions.

The pasture charge is based on current rate of interest on an average acre valuation of land owned and grazed, and on the rental price paid for lease lands. The value of the land is based on its selling price per acre as grazing land. In some instances it was found that small portions of the ranches were being sold for farming purposes and were bringing a price dependent upon the land's facilities for raising farm crops rather than its grazing facilities. Particular care was exercised in appraising such land at what it would sell

for as grazing land, with a view to placing the interest on its valuation as a pasturage charge.

Food raised and fed on the ranch was charged at the cost of production. The feed purchased was charged at its purchase price plus the cost of transporting it to the ranch or feeding pens. In a few instances the freight and hauling of feed was included in the freight account, but generally this charge was thrown into the feed account.

Wages of help, other than that used in the office and what is generally called management help, the groceries, supplies for camp outfits, and household supplies, together with a horse labor charge, constitute the items under labor. The only charge made for cow ponies and ranch teams was an amount equal to the current rate of interest on the yearly valuation of necessary mares, cow ponies and teams, since the feed these horses received is already included in the general feed account and charged directly against cattle.

A complete inventory of ranch equipment, including such items as buildings, corrals, wells, tanks, fencing and the like, was taken. In view of the marked increase in the price of building material, fencing, and well equipment during recent years, an average valuation was placed on equipment according to 1915 price conditions. The equipment charge consists of three items; interest on the average value of ranch equipment over the years mentioned, depreciation of this equipment dependent upon its normal length of life, and cash upkeep expenditures necessary to keep it in usable condition or in good working order.

The freight charge is freight and express on incoming supplies, cattle, and, with some ranchers, feed. This item of expenses also includes moving charges on cattle when moved for feeding and grazing. It does not contain freight incurred in marketing cattle.

The administration charge includes the salaries of officers, superintendents, managers, the office force, and the office material and supplies, the audit of records and accounts, legal advice, and advertising.

In the miscellaneous charges are placed such items as cattle association dues, personal travel for the purchase of stock, damages, killing prairie dogs, and the like, as well as the miscellaneous and petty cash accounts.

Ranch No. 5.—This ranch, which is located in southeastern Texas, produces about 5,000 calves annually. The pasture land owned by the company was valued at $4.84 an acre. The pasture charge on this land was based on this investment, while the charge for the leased lands was their rental price. The ranch is stocked at the rate of 22½ acres to each yearling animal or over.

It was not possible to obtain marketing expenses on all of the stock shipped, but the figures obtained show that this charge would average about $4 for a two-year-old steer. The cost of producing a calf at 12 months of age, a two-year-old steer, and a three-year-old steer are shown in the following tables, the figures presented being an average for the five years 1913–1917.

The various items of expense in producing yearlings, 2-year-old and 3-year-old steers are shown:

TABLE 1.—*Cost of producing a yearling, Ranch No. 5 (1913–1917).*

Cost of keeping 100 cows (valued at $60 a head):		
Interest at 8 per cent		$480.00
Estimated death loss, 3 per cent		180.00
Pasture		715.99
Feed		205.53
Labor		111.11
Ranch expenses		281.47
Freight		77.95
Taxes and insurance		62.23
Administration		36.25
Bull service (5.9 bulls at $164 a head):		
Interest, 8 per cent	$77.41	
Estimated death loss, 3 per cent	29.03	
Depreciation (kept 4 years, selling for $98)	97.35	
Feed and pasture	34.37	
Labor and other expenses	33.57	
		291.73
		2,442.26

Estimated calf crop, 52 living calves per 100 cows at 12 months of age. Cost of calf at 12 months of age, $46.97.

TABLE 2.—*Cost of producing a 2-year-old steer, Ranch No. 5 (1913–1917).*

Cost of 100 yearlings at 12 months ($46.97 per head)		[1] $4,697.00
Cost of carrying 100 yearlings one year:		
Interest, at 8 per cent	$375.76	
Death loss, at 3 per cent	140.91	
Pasture	715.99	
Feed	205.53	
Labor	111.11	
Ranch expense	281.47	
Freight	77.95	
Taxes and insurance	62.23	
Administration	36.25	
		2,007.20
Cost of 100 2-year-old steers (24 months old)		6,704.20
Cost per steer		67.04

TABLE 3.—*Cost of producing 3-year-old steers, Ranch No. 5 (1913–1917).*

100 two-year-old steers ($67.04 a head)		[2] $6,704.20
Cost of carrying a 2-year-old steer one year:		
Interest, 8 per cent	$536.32	
Death loss, 3 per cent	201.12	
Labor and other expenses	569.01	
		2,227.97
Cost of 100 3-year-old steers (36 months)		8,932.17
Cost per 3-year-old steer		89.32

I will not attempt to go into it now, but I will give you a summary as briefly as I can.

I will state that he places a value of $4.84 an acre on my ranch lands. That is less than the firm of Price, Waterhouse & Co. placed on them in 1909. They are supposed to be experts on values and experts on accounting and I had them come down and spend some six or eight months working my business up to date in a cost-accounting system and at that time they placed the value at five dollars and some cents. They put it here at $4.84. That is what these agricultural experts put as the value of my land. They make the cost of producing a calf 12 months old, $46.97. I want to call attention to the fact that they run this through from 1913, 1914, 1915, and 1916 to 1917. They give the average cost, not the high-peak cost of 1916, 1917, 1918, and 1919, for instance, at all, but the cost of the three lower years and the two ascending years, and they make the cost $46.97. I will say that I sold three crops in the five years for $35 per head. I sold the other crops in different lots for various prices, but the total result averaged less than $35—the amount for which I sold the three crops as stockers. So, by the return given me for my ranch by the Department of Agriculture, I lost something over $10 per head on every yearling sold during the five years that they audited my books. I may be asked, how did I stay in business. Let me say this. They figure the interest charge at 8 per cent. I will say that that is the banking rate, the real-estate mortgage rate in my section, and it would seem to me that the producers are fully entitled to the banking rate in the section in which they do business. I probably have a 60 per cent equity in the holdings, and I stayed in business by getting practically no return on my equity in the holding.

[1] See Table 1.

[2] See Table 2.

They make the cost of a two-year-old steer——

Mr. WILSON (interposing. Before you leave this yearling, I should like to ask you a question for my own information: As a matter of fact, did you lose $10 a head on your cattle during that period?

Mr. LASATER. As a matter of fact, we lost more than that during the period. That is, if you are going to allow me 8 per cent on my investment, and unless you do I can not stay in business.

Mr. WILSON. I was wondering how you could stay in the business and lose that much.

Mr. LASATER. I simply get a return of a little over 2 per cent on my investment and the banker got a return of 8 per cent. Therefore, I stayed in the business.

I should like to state here in handling this question that it is not a question solely of efficiency. You are dealing with a problem when you go into it which absolutely concerns the survival of this Nation; no cattle, no fertility. This is not a question solely of efficiency; it is a question of national survival that we are now handling. They make the cost of a two-year-old steer $67.04 and a three-year-old steer $89.32.

Gentlemen, it will be easy for this committee to establish the fact that I have one of the successfully operated ranches in the grazing country extending from Southern Texas to the Canadian line, and through all of these past years I have escaped loss. My expense account, of course, has been heavy and my return in calves has been smaller per cent than during normal years, but I have saved my herd, and I have had no loss to charge off.

Mr. YOUNG. Were you not in the section visited with a three-year drought—all of western Texas.

Mr. LASATER. I was. I always attempt to keep my feed somewhat in excess of the cattle on hand, and I always commence to ship in concentrates before my herd gets in a bad condition. By this arrangement I saved my herd.

Mr. YOUNG. That was not true as to most of them?

Mr. LASATER. No; some sustained losses. Here is another situation that the country, as a rule, does not as yet realize, and it has got to be taken into consideration. Many men had to cash herds for $25, $30, and $40 that cost them from $80 to $100 to produce. They have to start at the bottom and build up, and when it comes to restocking—of course, that means money—ranches will change ownership because they have not the margin to rebuild.

I am going to submit to this committee an audit of my books back for nine years. The auditors in question were Price, Waterhouse & Co., well known to many of you gentlemen, and Ernest & Ernest, a concern doing business both in the East and in Texas. I have employed Ernest & Ernest for the past three years, because they were a Texas concern with a national reputation, and they could audit my books cheaper than experts sent from Chicago, and for the last several years Ernest & Ernest have given me a yearly audit.

I will not attempt to go into this, because it is too complicated. I frankly tell you that I am not a bookkeeper. If I have anything of that kind done I have to pay for it. I will simply summarize the result of the nine years of operation.

Mr. YOUNG. Please give us just what nine years they were?

Mr. LASATER. From 1909 to 1918, inclusive, July 1. The total profit for the nine years was $644,437.96. That gives an average profit of $71,604.21. The average capital investment—that does not include borrowed money, but the capital investment, $2,563,070—that gives a return of approximately 2.8 per cent. Of that profit there was $737,170.50 from a real estate transaction, from a sale. Deducting the profit from the real estate shows me a loss of $92,732.54 for the nine-year period; and I make this statement, and I think you gentlemen can easily verify it, that I have fared better that the average producer from the Rio Grande to the Canadian line for the past nine years.

In considering what these figures mean you gentlemen want to realize that part of that period has been when one of the greatest wars that humanity has ever experienced was being fought and as a rule that meant an increase in the value of all foodstuffs and raw materials. Some agency has been at work in this country that has prevented the producer of the country from participating in this usually accepted condition of affairs. We have had the cost of production, of course, go up, like those of every other business, and still our products has sold at but a very slight advance, say, perhaps as 30 is to 100.

Now, to prevent you gentlemen from thinking that the price of all the beef you enjoyed is bought from the producer at perhaps 18 or 20 cents a pound, I want to submit to you the result of a recent shipment of two cars. I regret that I have not the account sales, but I can supply the account sales and I will wire for them to be sent here and will file them with this report. It is easy to establish that good dressed beef usually dresses at and around 55 or 56 per cent. These two cars were what we call baby beef and dressed one car 58.6 per cent. That car brought, it was Hereford cattle of one type, it brought 50 cents more than the other car. They brought 12 cents. You can ask any of the packing concerns and they will tell you that was good dressing cattle. The other car brought $11.50 and dressed 59.1 per cent, and from the packer's standpoint worth more, but they sold for 50 cents a hundred less. These dressing percentages are furnished me by the George R. Barse Live Stock Commission Co., the men that sold the cattle for me at Fort Worth. Armour & Co. were the buyers of these two cars of cattle. They were sold on February 13, 1920.

Mr. RAINEY. Right there, did those cattle bring the market price that day?

Mr. LASATER. I take it the commission man got the market price. He so advised me. He did not think that he could afford to ship the cattle on. Right here I would say, it may be pertinent to this matter, that I think they were the last cattle I had go from Fort Worth to St. Louis. The bid in Forth Worth was from Armour & Co. Swift did not bid. I am not sure that I am giving the exact figures, but I know they are approximately correct from my memory. There were three classes in this seven-car shipment. One bunch of three cars, my recollection is, they bid at $7.50 a hundred in Fort Worth. That lot was bought at the national stockyards not by one of the big packers but by some independent butcher at $8.50 per hundred. The other four cars were bought by Armour & Co. on a bid 50 cents a hundred less than

was paid in Fort Worth. The beef market did not justify a decline, because when the cars left Fort Worth my commission man said that there was a firm beef market in the East. So the only reason for bidding less on those than was bid for them in Fort Worth was to teach me a lesson.

Mr. RAINEY. Do you maintain that an injustice was done on one of those two carloads of cattle that dressed so exceptionally well?

Mr. LASATER. Beyond any question, an injustice was done, and I lost $20 a head. I know of nothing in the beef market the country over that justified any packer forcing that kind of a loss on a producer at this time.

Mr. RAINEY. Do you think that the packers were responsible?

Mr. LASATER. Beyond any question, they were responsible for it.

Gentlemen, my part 4 I have outlined packers' program for influencing legislation, getting control of live-stock organizations, and their success in modification of governmental rules and regulations by devious and improper methods.

I desire to read from page 37 of the summary of the report of the Federal Trade Commission on the meat-packing industry, under the heading, "Joint funds":

Further evidence of the existence of a conspiracy among the five big packers was found in the vault of Henry Veeder in the form of documents relating to funds maintained by the big packers and oleomargarine manufacturers, primarily for the purpose of protecting themselves from punishment for the divers practices already described in part.

These joint funds, as will be shown in one of the sections of the report, were used:

To employ lobbyists and pay their unaudited expenses.

To influence legislative bodies.

To elect candidates who would wink at violations of law and defeat those pledged to fair enforcement.

To control tax officials and thereby evade just taxation.

To secure modifications of governmental rules and regulations by devious and improper methods.

To bias public opinion by the control of editorial policy through advertising, loans, and subsidies, and by the publication and distribution at large expense of false and misleading statements.

Mr. YOUNG. What are you reading from?

Mr. LASATER. That is the summary of the report of the Federal Trade Commission, page 37.

Mr. TINCHER. And the date, please?

Mr. LASATER. July 3, 1918.

The CHAIRMAN. Volume 1?

Mr. LASATER. Yes, sir. Those statements are true.

Mr. RAINEY. Right there, Mr. Lasater. Those are general statements. Why not supply specific instances?

Mr. LASATER. May I ask your forbearance, and I will give them to you—specific instances?

Mr. RAINEY. You have mine.

Mr. LASATER. That is all I want, sir, is your permission.

Mr. RAINEY. Nobody here is objecting to specific instances.

Mr. LASATER. I am getting at the specific instances now.

Mr. JACOWAY. Just a minute.

Mr. LASATER. Certainly, sir.

Mr. JACOWAY. As I understand the trend of your argument, it is this: You have laid down the testimony of the four big packers as given before the committee?

Mr. LASATER. Yes.

Mr. JACOWAY. It is the burden of your argument to disprove the facts to which they have testified; is that true?

Mr. LASATER. Yes; what I have read, sir. I would not attempt—we could not make the showing. I could not take up in detail all the packers' testimony here and review it during this Congress. But what I have done is to get at facts that were material to the question under consideration and attempt to show the falsity of the statements made by the packers before various committees of Congress.

Mr. JACOWAY. You have taken salient vital facts as testified to before committees?

Mr. LASATER. I think it is significant when these four packers, with the power that they have over cattle credits, made the statements that would lead anybody listening to them to infer that the most prosperous end of the meat-producing business was the cattle end of it, when they knew that could not be a fact, and they are in a position, if any people are, to know the real facts.

And I want to refer to and make a part of this hearing two hearings that took place before the Agricultural Committee of the Senate in the spring of 1918. I can not give you the numbers, but it is easy to ascertain what I mean. That hearing took place two months and showed cost of production and the results to the feeders of the country during that time, and in some instances going further back. With your permission, I ask that you gentlemen call for those hearings, so that you may familiarize yourselves with them. I do not think that simply stating my experience would prove the case against the packers, but the fact that there have been hundreds of witnesses here who testified along similar lines I think ought to conclusively show that to be a fact.

Mr. O'Donel, the gentleman who preceded me, when asked the question about what these lands cost said he could not give it because the people who now owned the ranch had got them by foreclosure on a bond sale. The people who preceded him went broke in the business. Their equity was wiped out and the bondholder got the land. I am not familiar with the transaction, but I do know that he stated that the people who preceded him made a failure in the cattle business, because the bondholding people got control of the country for bonds they had bought.

Mr. WILSON. Mr. Lasater, I think you made a statement here a while ago about the cost of production of a yearling. I have been trying to figure out in my own mind, without bothering you and taking up the time of the rest of the committee, just how you arrived at it. It may be I am not famaliar enough with the raising of cattle at present to figure it out.

Mr. LASATER. Will you wait one moment?

Mr. WILSON. I was just wondering how they arrived at the expense of producing a yearling as amounting to $46, and I was trying to figure that out.

Mr. LASATER. You know the accountants, Price, Waterhouse & Co.?

Mr. WILSON. I know about them and I know about Ernst & Ernst, but that would not answer my question, whatever their statement might be, so far as that is concerned, because I do not know whether they took into consideration the value of the land nor what they took into consideration as to the value of the animal.

Mr. LASATER. They took into consideration interest on investment.

Mr. WILSON. I know. You have started out with a calf when figuring on the yearling?

Mr. LASATER. No; we start out with the cow and the bull, not with the calf, to produce a yearling.

Mr. WILSON. You go back further than I did.

The CHAIRMAN. Can you state offhand the approximate cost?

Mr. LASATER. You would have your investment in a cow and a bull; you would have your investment in the land.

The CHAIRMAN. How many acres of land? In this Government report they figure 22 acres. How do they arrive at that?

Mr. LASATER. I never thought I gave quite that acreage. I want to be entirely frank with you. But they took my books, and they got up that statement and they gave the land at $4.84, as I say. Our books carried it a little above $5, and they arrived at the valuation of $46.97, I believe it was. They give labor, feed, and loss—those they figured at 3 per cent; depreciation on ranch improvements I think they figured about 2½ per cent. I think that is Ernst & Ernst and Price, Waterhouse & Co. I do not know what the Government estimated. They were not open to suggestions. I did not come in contact with the gentleman who made that investigation at all.

Mr. WILSON. If a man called at your farm and asked you to put a price on a thousand head of yearlings, would you figure that those yearlings had cost you $47 and some cents?

Mr. LASATER. Why, yes.

Mr. WILSON. Do you get that much for them?

Mr. LASATER. No, I did not.

Mr. WILSON. I say, "do you"?

Mr. LASATER. No, sir; as I stated to this committee, I got more than $10 less than that for that string of five years' production; I got under $35. I sold three entire crops for $35 per head, and the balance I sold in job lots, and fed some. All of those I took a loss on. But the average of no year after that did I get $35 net for my yearlings.

The CHAIRMAN. You speak of 22 acres. Do you mean pasture?

Mr. LASATER. We run on pasture the entire year around, and it is only in extreme drouth that we feed—unusual conditions.

The CHAIRMAN. That takes care of the entire year?

Mr. LASATER. That takes care of the entire year, 12 months.

The CHAIRMAN. That would be 12 months?

Mr. LASATER. Yes, sir. When you go into it, you will find on my investment land to run a cow less than most of the range country, when you take the valuation of $4.84 per acre into consideration.

The CHAIRMAN. What would be the value of the cow?

Mr. LASATER. My recollection is we figured $60—$53 to $60.

The CHAIRMAN. That would be about $106?

Mr. LASATER. Yes, sir.

The CHAIRMAN. What other items have you?

Mr. LASATER. They had labor.

The CHAIRMAN. Can you estimate the labor? The report gives that in detail?

Mr. LASATER. It gives that in detail.

Mr. WILSON. This report may be contrary to the 138 facts.

Mr. LASATER. It is not. For instance, you can check this report. I have submitted to you, gentlemen, two reports, one that the Government makes on their own initiative, sending their own people; and the other a statement by Ernest & Ernest and Price, Waterhouse & Co. You can check the two together.

Mr. YOUNG. How do the sum total of the results of these checkings compare?

Mr. LASATER. They differ but slightly. Ernest & Ernest gives the land a little greater value, which would make the interest charges a little more.

Mr. YOUNG. But the result is practically the same?

Mr. LASATER. The results are practically the same.

Mr. YOUNG. As to the cost of the individual animal?

Mr. LASATER. As to the cost of the individual animal. I have no desire, Mr. Chairman, to curtail questioning; I will be glad to answer any questions this committee cares to ask. But I have recently had an attack of the flu, and it has affected my tonsils, and I do find I have to conserve my effort to talk; and if you would permit me to make my statement and then interrogate me, it would probably save some time of the committee.

This statement is back here now from the official stenographer, which I read to you.

Mr. WILSON. I would just like to look them over while you are talking, and save time. I may be the only one on the committee who is ignorant on the subject.

(The papers referred to were given by Mr. Lasater to Mr. Wilson.)

Mr. LASATER. The heading of this division, Mr. Chairman, was "Packer program for influencing legislation, getting control of livestock organizations, and their success in securing modifications of governmental rules and regulations by devious and improper methods."

I want to submit to you, first, the packer plan. I will not attempt to read the entire thing, because I think probably it would take more time than you gentlemen would want to give to it, and I do not believe I would last through it. But this plan in its entirety is found on pages 1777 to 1804, both inclusive, in volume 8, hearings of the Federal Trade Commission.

The CHAIRMAN. Mr. Lasater, I understand that a number of volumes are not available. If you have anything that you care to refer to, it could be filed with us.

Mr. LASATER. I may have in this one. I do not intend to read the whole thing, but I will file it complete, Mr. Chairman.

The CHAIRMAN. How much of it is there, Mr. Lasater?

Mr. LASATER. Of that one heading, pages 1777 to 1804.

The CHAIRMAN. It will be incorporated in the record, if there is no objection. [After a pause.] Without objection, it is so ordered.

Mr. LASATER. In lieu of that description, these are from the hearings——

The CHAIRMAN (interposing). What hearings?

Mr. LASATER. The hearings of the Federal Trade Commission throughout the country. I think the gist of these hearings have been published in subsequent reports, but these hearings were held at different places throughout the country, and myself and many others

got the copies at the time of the hearings. That is where I got this information, and that is where this came from. I refer to these written hearings.

Mr. VEEDER. Is this the stenographer's transcript of the testimony?

Mr. LASATER. Yes, sir.

Mr. VEEDER. Taken at the hearings?

Mr. LASATER. These are the pages from volume 8, stenographer's transcript; yes, sir. And pages 1415 to 1421, volume 5, of the hearings before the Interstate and Foreign Commerce Committee of the House. The report referred to is as follows:

(The report referred to and submitted by Mr. Lasater is here printed in full, as follows:)

BORLAND RESOLUTION—APRIL 3.

The Borland resolution provides for investigation by the Federal Trade Commission to determine whether or not there is a combination among the five large packers, naming them, to control the price of live stock and meats.

Congressman Borland's interest is political and selfish, as is also that of Congressman Doolittle, of Kansas. Their resolutions were introduced the same day, and their preliminary efforts were directed chiefly to claiming credit for the rise of beef-cattle prices since then as an evidence of what the packers could be made to do.

The Missouri Swine and Cattle Raisers' Association was represented by a Judge Wallace, a lawyer, who has a stock farm and who has lost money. He was the attorney for Alken, of Kansas City, Kans., in the calf cases, and used a lot of arguments growing out of that case as showing a trust. He made a wild, pettifogging speech, calling the packers criminals and likening them to the Jesse James gang. He cited and depended upon the market telegram sent out by the telegraph companies giving the prospect and the state of the market, which he charged was sent out by the packers to indicate the program for the day. He also cited the fact that the buyers start out late and at the same time.

Wallace charged that he sold a bunch of cattle to Armour's buyer and after that part of the bunch was weighed up to Cudahy without his knowledge, and claimed to have seen an account sale to prove it. He told how shippers were wired on when they sought another market. His chief charge, which really hurt us most, we thought, was the story of how Carl Cooper, representing all of the packers, went to the books of the Kansas City Stock Yards Co. at night by prearrangement with a bribed employee of the stock yards company, and obtained information as to the cars which had been offered on the Kansas City market and which had been reshipped to other markets. He claimed that copy of Cooper's report was furnished to each of the packers, and that they all wired their buyers at the yards to which the stock was consigned, giving full information and the price that had been offered, and it was his claim that the buyers at destination had instructions not to pay any more than what had been offered at Kansas City, thereby making the owner lose the freight. This is what they call being "wired on."

Congressman Steele still has an interest in a commission firm at Sioux City. He made a long talk, for the most part harmless, except on the matter of the packers' ownership of stock yards. He charges that this prevents competition from securing advantageous sites and facilities. He mentioned a specific case of a small local packer (Harney Packing Co.) who had been refused use of an alley to drive hogs direct to his plant, and instead was compelled to drive the hogs through the public streets.

Walter Fisher then stated that the American National Live Stock Association had not initialed the Borland resolution. What they wanted was a comprehensive investigation of the whole history of meat from the grower to the consumer and that he wished the opportunity, as special counsel, and with the aid of governmental authority, to administer oaths and subpœna documents, and to go through all of the books of all the subsidiaries covering the ultimate history of all cattle and hogs which went into manufacturing and everything which appeared upon published statements and was included in the profits; also all collateral statistics which might be used to indicate whether or not there was a combination.

Mr. Fisher said he thought there should be four separate inquiries of this character—one by the Department of Justice, one by the Department of Commerce, one by the Federal Trade Commission, and one by the Department of Agriculture. He thought they could be carried on simultaneously and that with the cunning and soulless ingenuity of the corporations all these investigations would be necessary.

Mr. McManus then asked him whether it would not be necessary to examine the books of feeders, stockyards companies, commission companies, wholesalers, and retailers, and he said that it would, and that they would be examined.

Mr. McManus then asked him whether he tendered the books of the producers and feeders for that purpose, and he said he did; that the first step, however, was the packers' books, and for that purpose he thought the Borland resolution sufficient.

Ex-Gov. Stubbs, of Kansas, cited the Texas antitrust case as proving that the packers had secured control of the cotton-cake business in Texas, and thereby had extorted $6 or $8 per ton last season compared with the year before. He quoted a telegram from the attorney general of Texas to the effect that the packers had pleaded guilty to a charge of monopoly on cottonseed cake, and Stubbs said they had thereby been able to extort $6 to $8 per ton extra last season. He advocated punishment by imprisonment should an investigation prove the packers guilty.

Congressman Doolittle relied chiefly upon the break in hogs October 20 and 21, 1915, and stated that he had given information on this particular point to the Department of Justice at Kansas City, and that they had been making an investigation. He also mentioned as one of his main points the question of split purchases, quoting an instance which he claimed he could prove where a carload of cattle shipped into Kansas City was sold to one buyer and then split up among five packers, each one taking an equal share. Mr. Meeker asked him about how many head were in the lot, and he said 20.

Ed. Burke, of Omaha, read his usual speech and produced a new chart. It was the most moderate and informative of their efforts, but helped the general proposition of universal unrest and demand from the cattle producers for an investigation. Burke's chief complaint was that the buyers start late. Eleven o'clock was given as the definite hour. The impression was that it was a definite hour fixed by the packers and that all came out together, the purpose being to let the cattle shrink, which shrink was estimated at a loss of 50 cents per head to the cattlemen.

Burke promised to permit an accountant to go over his books so far as they related to his costs and losses on cattle for the past three or four years.

During the entire proceeding they filed exhibits too long to be read and not necessarily a part of the printed record, containing figures which could not be examined nor refuted offhand.

Chairman Carlin seemed much interested and asked intelligent questions. However, so much time was consumed in collateral inquiries that the time allotted to the defense was necessarily restricted.

Jay Brown, of the Drovers' Journal, wired Borland that he wanted to appear in connection with the charge that his paper was owned by the packers and so his use of the trade-paper rates in the mails was illegal, and when Brown appeared he listened to his story, but did not give him time to talk.

Brown asked us to find a place for him out of our time, which we did. This war fortunate, as he covered the whole subject of stockyards and live-stock exchange procedure, marketing, and competition. He explained the market telegram, which he personally furnished to the Illinois Telegraph Co., and which they sent. He said he was present every day at hundreds of sales, described the delay due to the hoof-and-mouth quarantine, the custom of permitting a salesman to have the exclusive time of a buyer until a bid was made, and to the fact that few sales were made without two or more bids; he said there were usually three or four. He denied packer ownership or control of his paper or of the Live Stock World. Coming from an avowed neutral, his testimony was comprehensive and valuable. He also testified to the fact that the buyers did not get out at some fixed hour, as the cattlemen claimed; that they came out at different times in the morning on different days; and that the buyers for all the packers did not always come out together; that there was in his opinion at times unnecessary delay on the part of the buyers in getting out into the yards.

He said the Illinois Teleprabh Co., was in the business of furnishing news and ticker service in connection with stock exchanges, boards of trade, and live-stock markets, and he thought perhaps other similar kinds of service.

They asked him if it was not the case that the packers owned or controlled the Illinois Telegraph Co., in answer to which he said he did not know, and while it was a possibility, he did not think it was probable. He had never met the manager, simply sent him his wire by telephone and received a check by mail.

Walter Fisher indicated his strong suspicion that the packers controlled this service and that Mr. Brown was there representing them.

We then put on Phil Haner, farmer, cattle feeder, and trader in live stock, of Taylorville, Ill. He made a good witness. He stated that he had made and lost money, losing more than he made in cattle feeding in 1915. He regarded the hoof-and-mouth quarantine as the most important feature, occasioning the losses of Illinois feeders. He spoke of the laziness and ignorance of cattle feeders who depended upon commission men to buy their stock, which was often unfitted for their conditions. He said feeders had been too high; that the production of live stock by the average farmer throughout Illinois, he thought, had increased considerably during the past three or four years and believed that that would be the tendency in the future. He buys most of his own corn. He has been able to buy feeders cheaper than the prices obtaining in the big markets and by getting hold of gossipy information and following it up. He has bought cattle in the Ozarks and in Ontario. He is an active trading man, takes advantage of opportunities and turns himself quickly. He had always had plenty of competition.

Haner regretted the breaking up the National Packing Co., because it took more buyers off the market. At this point Walter Fisher interjected sneering comments, asking whether he seriously believed a creature like the National would compete against its creator, the Beef Trust. Haner said that the National has nearly always bought his cattle, indicating that they paid as good or better prices than the other packers. He stated that he believed the matter of making or losing money in the cattle-feeding business on the average was a matter of intelligence and judgment, just the same as any other business.

He also stated that the present agitation and all agitations of a similar kind which bring an odium on the packing business affects the price of cattle adversely, and that he was not in favor nor did he see any necessity for an investigation. He did not ask the National Government to guarantee him a profit in his business.

Crit Clay, of North Salem, Ind., farmer and live-stock man, made money, as have all of his neighbors, during the past three or four years. He described efficient, economical methods for raising and feeding cattle, and it was his opinion anyone could make money raising and feeding cattle who plowed his own land and raised his own feed and made efficient use of the roughage. He said there was competition between the live-stock markets. He said he had been selling his cattle for the past few years around 10 cents per pound. He thought the present agitation and all previous agitation had had a bad effect on the price of live stock and did not see any necesstiy for it. He attributed this legislation to politicians seeking advertisement, to lawyers, seeking fees, and to lawyers and doctors trying to live in town, buy the feed, and feed cattle on the farm. Mr. Fisher cross-examined him, and Clay was more than a match for him. He made a very good witness. He personally has been on the market in Chicago and always had competition.

Charles Clayton, Denver, grower, feeder, speculator, etc., often buys heavily at one market and ships to another, which business had been profitable, indicating that he is able to get better prices at destination than at the point of shipment, and that, therefore, the claim that the packers wired to destination to his detriment was unfounded. He feeds big quantities of cotton-oil cake, and never heard of Swift & Co. or any other of the packers as controlling prices or being controlling factors. He did not even know they were in the business. He sells his cattle upon his own judgment and keeps posted. He never had any difficulty in procuring competitive bids. He sometimes accepts the first bid, if he thinks it is at least the full market value; otherwise, he gets more bids. He kept a set of books for a term of years on his feeding operations. He made money feeding. Last year he lost heavily on some lots and made a little money on the others, but, on the whole, he lost money. He stated there were ups and downs in the cattle-feeding business, the same as in other lines, but on the whole it was profitable. He thought agitation would injure the business.

Called W. D. Reynolds, of Fort Worth, Tex. Mr. Reynolds owns an oil mill in the vicinity of the oil mills operated by Swift; he stated that so far as he knew the packers did not control the oil mills in that territory, and he

had no knowledge of combination in prices; that the high price of cottonseed meal and cake last year was due to shortage in the cottonseed crop.

Reynolds is a grower. He raises calves and makes big money every year ($20) a head). Does not favor the Borland resolution. Believes that agitation hurts every branch of the business and that there is nothing in the business requiring legislative assistance. He was present when the Texas Cattle Raisers' Association passed the reolution indorsing the Borland resolution and also the program favored by the marketing committee of the American National Live Stock Association. This was on Wednesday, March 22. He was also present when another resolution was passed, instructing the executive committee and officers, before taking any action affecuating the plan for investigation or prosecution, to send a committee of three to confer with the packers and see whether their difficulties could not be amicably adjusted. Mr. Reynolds was present when this resolution was introduced by Mr. George W. Armstrong, of Fort Worth, and when it was passed on March 24. (Mr. Fisher had introduced the previous resolution, but not this one, and claimed no knowledge of it.) This seemed to take Mr. Fisher completely by surprise. He denied all knowledge of such action, and John Landergen, of Amerillo, said he was present and that it was not passed. Mr. Fisher was very much confused by the presentation of this resolution. The chairman said the resolution if passed spoke for itself, and it seemed to him to completely reverse the attitude of the Texas association and its instructions to its representatives.

Jim Nail, of Fort Worth, grower, stated he was present when the resolution was introduced by Armstrong, and that it was passed unanimously on the floor of the convention; that the other resolution was born in the committee rooms and went through without opposition; that neither he nor Reynolds voted; furthermore, that he had not and would not pay his assessment toward the present action. He did not favor the Borland resolution and believed that this agitation would hurt business. He had no fear but that he would be able to sell his calves and yearlings, as he had always been able to do so, and there seemed unlimited demand.

Throughout the hearing the committee interjected questions and interruptions and seemed on the whole pretty fair, but entirely ignorant of the subject.

Mr. Meeker explained many phases of the business as they arose. Mr. McManus stated that if Mr. Fisher would permit his clients to talk to the packers they could learn much to their advantage he thought.

We introduced correspondence showing that the Kansas Association had made an appointment to meet the packers in Chicago on the 11th. On the question of the desirability of doing this, it may be said that we did so with some diffidence, fearing to arouse their resentment that we should use their conciliatory actions to embarrass the marketing committee of the American National Live Stock Association. On this we have to say that they withheld this information from the committee and were creating the wrong impression. We also felt that the marketing committee's movement is in the selfish interests of a few men who would stop at nothing and who did not intend that any friendly understanding shall be reached. It appeared that the Texas cattle raisers had subscribed $100,000, and we know of some $68,000 in addition.

THE SITUATION.

Mr. de Ricqles wishes to be United States Senator from Colorado. So says Mr. Gates, Democratic committeeman from Colorado, a friend of James Brennan. De Ricqles had three or four thousand 4-year old steers, which would have been a loss at prices obtaining in 1915. He is also in the cattle-loan business, and believes that that business has suffered because of the so-called packer cattle loan business. He had a personal quarrel with Mr. Vant during the panic of 1907, due to Vant's refusal to lend him $100,000.

Mr. Vant is head of a cattle loan bank at Omaha, Nebr.

De Ricqles has been a disturber all his life and has a gift for organizing revolts. He believes if he could get the stockyards and cattle loan companies out of the packers' hands his company could do a much more general business. He also likes the personal advertisement and prominence.

Ed Burke, of Omaha, is a sincere man, but Mr. Meeker, who has known him all his life, says he is a curious, solitary man; has few intimates, and is obsessed with the idea that he always gets the worst of everything. Burke's cost accounting is bad, we think. He is suspicious of everyone and believes his business too dangerous to leave to his sons unless he can correct the abuses.

H. A. Jastro appears to be the real power. It is he who insisted upon the huge subscription fund, and he is responsible apparently for the refusal of the

American National Live Stock Association marketing committee to meet the packers. He does not believe in stockyards nor live-stock exchanges. He does not appear to be particularly bitter against the packer, but wished a new marketing system established and favors a complete study of every phase of the question and wants Walter Fisher to conduct it.

Stubbs, of Kansas, is the man who took Bill Miles to the Department of Justice before the last trial. He, while governor, ousted the Standard Oil Co. from Kansas. He is a bitter politician, and is now trying to be United States Senator.

Borland, of Missouri, is seeking renomination. He boasts that he has a life job assured by reason of this agitation.

Congressman Doolittle is a boy of small ability. He thinks he sees an opportunity to secure prominence in politics.

There are many cattlemen who believe the packers are in a combination and have destroyed competition. Some of them are bitter and want revenge, believing in indictments and prison sentences. On the other hand, there are many conservative cattlemen who are satisfied. They wish to have some things explained to them, but have open minds. These last, however, are not organized; the radicals are in control to-day of the American National, the Texas Cattle Raisers, and the Pan Handle Associations. While they appear to have carried everything in the Kansas Association, nevertheless they are not in control of it.

There are some points of immediate danger which we must explain and have the cattlemen of the country generally understand.

First. The origin and purpose of the market telegram.

Second. The conduct of the buyers. Why they come out late and why they go out together, if they do.

Third. The question of split purchases. It seems to be universally believed that this daily occurs; that one buyer will make a bid, buy a string of cattle, and then weigh them up to a number of packers, or that bids will be so made that even if the other half of the lot happened to be bought by some other packer, the price paid by both packers is the same.

Fourth. It is also claimed that the packers buy about the same number of animals, comparatively. This was particularly mentioned by Steele, of Sioux City—that they agreed as to total percentage of receipts which they would buy.

This is a matter which, according to Steele, is talked about a good deal by the commission men around the Sioux City yards.

Many commission men make a practice of blaming their poor sales or disappointing results upon the packers, and there seems to be a large percentage of them just now actively promoting unrest among the cattlemen. Emil Ingerson is one of the active agitators, as is also Johnny Bowles. The National Live Stock Exchange, by its president, Mr. McCluer, of Kansas City, read a letter indorsing the movement, which is introduced in such a way as to create the impression that they would be much stronger in their expressions if they dared, and that the commission men individually feared the power of the packers, and so acted impersonally as an organization.

Walter Fisher is frankly pettifogging. He is concerned for the consumer. He is determined there shall be no mutual adjustment of differences, and that there shall be started a long campaign of official investigation, in which he shall participate.

All of these men have in their minds indictments and imprisonments.

The conservative friendly cattlemen are unorganized and have remained passive. There is, however, a large element in both the Texas and Kansas associations which is friendly and opposed to the movement. There are also some of those in the movement who want to be fair and reasonable and who only wish to satisfy their minds as to the fairness of the packers.

Undoubtedly we have started our educational campaign late. The fact that we ignored the Brand conference in November seems to have precipitated the fight and fixed the minds of Burke and his kind in the notion that only the Government is powerful enough to bring the packers to time.

There are these points in our favor: This administration has not disturbed business by prosecutions, and does not wish to be known as appealing to the mob spirit. It does not wish to spend money, as its revenues are in bad shape. It must come before the corporations for political subscriptions shortly, as the convention is almost at hand. Congressmen wish to go home to attend to their fences.

WHAT WE CAN DO.

We have worked out an understandable scheme for current dissemination by the Government of official data, which will direct the attention of the cattlemen particularly to the beef and teach them how to analyze beef-market conditions as affecting live-stock prices. The Department of Agriculture seems to favor the experiment.

The Lever agricultural bill commits the Department of Agriculture to the general supervision of all agricultural subjects, which are now scattered through several departments. The Department of Agriculture has now probably nine-tenths of the data in one form or another, and the Bureau of Markets is the particular pet of the present Secretary.

The Texas Cattle Raisers' Association was badly split on the subject of employing Judge Sam Cowan as counsel, and probably would not favor another split growing out of the differences of opinion between the radicals and conservatives. Messrs Reynolds and Nail are powerful and respected, and certainly the committee will hesitate before discrediting them.

The Kansas association is headed by J. Todd, a sane, true, honest Scotchman, who, while he did not interfere with the indorsement by his association of the marketing committee's plans, nevertheless has appointed a good committee, who have an appointment with the packers. This last may have been interfered with by Mr. Fisher's fiasco at Washington for a conference. We must bear in mind that Mr. Fisher repeatedly stated that his clients would not be satisfied with any information volunteered or any books shown to accountants or representatives of cattlemen. He insisted upon an official investigation under oath and with power to subpœna all documents, and intended to follow the product through every State, and, however admixed with other goods, stating that the packers have some hidden methods which the books do not show, and that frankly he does not and will not believe the packers' books.

The circumstances which cause dissatisfaction to the cattlemen are few, and, in our opinion, for the most part important only as they cause irritation. They should be handled to the best advantage. If we are to avoid indictments we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate.

Second. Get something cooperative started which can not be finished for some time.

Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, De Ricoles, and Jastro conspiracy.

Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

Fifth. To so combine the question of the packers' investigation with the more comprehensive scheme mentioned by Fisher that the whole undertaking will appear so colossal as to be unattractive.

Sixth. See if the Bureau of Markets can not be induced to start to publish data and familiarize itself with the situation to such an extent that it will begin to represent the cattlemen in all disputes.

Seventh. See if the live-stock exchanges can not be induced to help dissipate some misunderstandings, to be at the hearing, offer to undertake to agree with the live-stock men as to the hour to start the market. It might be considered whether the exchange could not by ringing a bell and assuming the responsibility of determining when the market should start, do away with this charge.

Eighth. Could there not be published current expert comments upon the beef markets which could be read by the commission men and farmers so that the explanation of breaks and fluctuations could be understood at the time?

Ninth. Would we favor a permanent marketing committee of the live-stock men and packers to meet periodically and have we not unnecessarily antagonized the commission men? Might not a grievance committee of the live-stock exchanges talk things over before they start their campaigns of misrepresentation?

In our opinion the Bowles campaign against the country buying has inflamed the minds of the cattlemen, even those who favored the practice.

We believe the situation to be serious and recommend that due consideration be immediately given to it and that everything be done in every direction to head off the present movement and to relieve the tension. We believe that, as it stands to-day, nothing could stop criminal prosecutions, and that the situation is dangerous where men like Burke, who have been in the business

all their lives, regard trivial and irrelevant circumstances as conclusively proving unlawful operations.

It must not be forgotten that some have the impression that the consumer is being badly used. Chairman Carlin at the close of the hearing said that, even if the packers and live-stock men found they could adjust their difficulties amicably, there was still the consumer to be considered.

Law department:

R. C. McMANUS.
J. M. CHAPLAIN.
ARTHUR D. WHITE.

(Copy to C. F. S., jr.; H. H. S.; L. A. C.; F. S. H.; H. V.; J. M. C.; A. D. W.; T. E. W.; E. M., jr.; F. E. W.—Thos. Creigh.)

(Copy to G. F. Swift, jr.; Harold H. Swift.; L. A. Carton; F. S. Hayward; Henry Veeder; J. M. Chaplain; A. D. White; T. E. Wilson; Edward Morris, jr.; F. E. White. In pencil—Thos. Creigh.)

Mr. LASATER. I will read only a part of this. [Reading:]

BORLAND RESOLUTION, APRIL 3.

The Borland resolution provides for an investigation by the Federal Trade Commission to determine whether or not there is a combination among the five large packers, naming them, to control the price of live stock and meats.

Now, he goes on and describes the various parties who are participating in this hearing. I will file the whole thing, but I will only take your time by reading what I think are the most important parts, and the statements I would like to impress upon the minds of this committee and address myself to.

On page 1421 I find this. [Reading:]

The circumstances which cause dissatisfaction to the cattlemen are few, and, in our opinion, for the most part important only as they cause irritation. They should be handled to the best advantage. If we are to avoid indictments we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate.

This is signed by R. C. McManus, J. M. Chaplain, Arthur D. White, and addressed to Louis F. Swift, as I have stated. These men, as I understand it, are employees of Swift, but their recommendations were later adopted and acted upon by the packers on concert; that is, Armour & Co., Swift & Co., Morris & Co., and Wilson & Co. [Reading:]

Second. Get something cooperative started which can not be finished for some time. [Laughter.]

Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, De Riccles, and Jastro conspiracy.

Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

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It must not be forgotten that some have the impression that the consumer is being badly used. Chairman Carlin at the close of the hearing said that even if the packers and live-stock men found they could adjust their difficulties amicably there was still the consumer to be considered.

Law department.

This was the report of this committee appointed to formulate a plan to avoid the proposed investigation of the packers.

On page 1423 of the same report, just mentioned, appears this: [Reading.]

(Memorandum of conference at office of A. H. & K. Veeder, 3.30 p. m. April 21, 1916.)

I will not read all of that, but I will read section 9. [Reading:]

9. The question of the possibility of assisting the conservative elements in the Cattle Raisers' Association to get control of their associations, or of inspiring them to do so, was discussed and it was agreed that some action looking toward that end should be accomplished by making suggestions to the conservative members of the associations through the proper channels and endeavoring to get them to take action.

It appears from that that the packer is not willing that the producers of the country should even dominate their own organizations.

I would like in this connection to go a little further. It will give you gentlemen a full comprehension of the steps undertaken to prevent, first, the investigation, and since the same methods have been pursued right along from the Canadian line to the Rio Grande of all live-stock organizations to prevent a prosecution—call it a prosecution; I think they should be prosecuted—of the packers.

The heading I refer to is "Texas trip—Armstrong resolution."

I will file the statement so you can have the whole matter before you, but I will not read it at this time, simply hitting it in a few of the high places.

A letter was mailed from Fort Worth April 27 to the membership of the Texas Cattle Raisers' Association, inclosing copy of the resolution passed at the Houston convention, and also report of the marketing committee of the American Live Stock Association; and, referring to the assessment of 5 cents per head on cattle registered with the association, 1½ cents per head being now due, a letter from the secretary states in part:

We desire you to understand that this charge is separate from your regular membership dues, and assessment will not be charged against your regular account.

Mr. W. D. Reynolds had Messrs. S. B. Burnett, treasurer of the association; J. B. Googins, Fort Worth manager of Swift & Co.; A. B. Cass, Fort Worth manager of Armour & Co.; Ellis Harding, a Fort Worth banker; and myself, at his house for luncheon April 28.

This entire campaign and particularly the assessment were discussed, and Messrs. Reynolds and Burnett were very positive in their opinion that the more representative members of the association will not pay any part of this assess-

ment. They personally are not going to, and say that Mr. Jim Nail, Mr. Tom Wagoner, and Mr. Kleberg, together with the people affiliated with them are going to ignore the assessment, and their friends in Fort Worth will use their influence to have as many as possible do so.

Mr. Googins feels very strongly on the matter and does not think they will get 10 per cent of the levy. I have asked him to inquire in 10 days or two weeks of Treasurer Burnett as to how the remittances are going in. It is our feeling that if the funds do not materialize the lawyers and others interested in this agitation for personal pecuniary profit will not be very enthusiastic or aggressive in continuing the work.

The Texas association will probably be looked to to furnish a percentage of the returns from the assessment, in so far as the cattle are concerned, with which to carry on their work, and if they fail in this expectation it may show them very forcibly that the representative men in the cattle business in Texas do not approve of their campaign of attack, but want to try to better conditions through constructive work and a conference as arranged for in the Armstrong resolution.

Mr. VEEDER. What page is that?

Mr. LASATER. That is page 1426 of the report last referred to.

Mr. YOUNG. These gentlemen, Mr. Burnett and Mr. Reynolds and Mr. Kleberg, are all very large cattle producers, are they not, of Texas?

Mr. LASATER. They are very large cattle producers.

Mr. YOUNG. I am curious to know why there existed the division among the cattle producers themselves as to the matter of policy on this particular investigation.

Mr. LASATER. Some things are very hard to explain, and I will admit there are some things I will not be able to explain to you, but I can give you gentlemen the facts from the incipiency of this movement down to now, and you can draw your own conclusions.

This continues, showing the activity of packer agents with somewhat different connection with the live-stock business. This is a communication addressed to Thomas E. Wilson, president Wilson & Co., from C. S. Bowman. [Reading:]

Your telegram on this was received yesterday afternoon while I was away from the office. I reached Mr. Hill as soon as possible, and then decided that inasmuch as the people at the yards who might do us some good had already gone home for the day, we would handle it this morning.

Mr. Hill circulated around among the commission men to ascertain how they stood, and the joint result of our influence, Morris's, Armour's, and Swift's, was the sending of about 12 telegrams from the commission men asking that no action be taken at this time, as it would be detrimental to the producer.

Mr. Newman wired a friend of his in Kansas to have Congressman Taggart apply as much pressure as could be done consistently to have the investigation stopped in the instance of the producer. Mr. Peter Goebel—

Now, I will say that Mr. Goebel appears here in opposition to legislation before the Interstate Commerce Committee of the House last January.

Mr. Peter Goebel, of the Commercial National Bank, wired Taggart along the same lines; likewise, Mr. Prouty of the Exchange State Bank.

On Monday Mr. Hill will see Mr. Cowgill, one of the directors of the Southwest Cattle Loan Co., a prominent cattle raiser, ex-State treasurer, and a democratic politician, who will see Kemper, a prominent Democrat and president of the Commerce Trust Co., and together we hope they will do some wire pulling that will prove beneficial. They are able to do it, and we hope to accomplish it.

To-day we met Mr. Dorsey, a friend of Bill's and mine, a cattle raiser of Amarillo, who is going to the latter place to-night to attend a stockmen's convention. He is with us and will do what he can for us at the convention.

To-morrow morning I meet Mr. Hovey and will frame up a wire to Fuqua—

Mr. Hovey is president of the Exchange National Bank, located at the stockyards, Kansas City, Mo., and Mr. Fuqua is a banker of Amarillo, Tex.

Fuqua, president of a bank at Amarillo, an officer of the Panhandle Southwest Cattle Raisers' Association—

Mr. YOUNG. Did I not catch Fuqua's name to some resolution that was read here by the gentleman who appeared this morning indorsing——

Mr. LASATER (interposing). Influencing this legislation.

Mr. YOUNG. I know who Fuqua is—one of the most prominent men in our State.

Mr. LASATER. Yes; he is asking for this legislation.

Mr. YOUNG. This was framing a telegram to him.

Mr. LASATER. Framing a telegram to him, and they expected to be able to handle Mr. Fuqua.

Mr. YOUNG. I see.

Mr. LASATER. [Reading:]

Fuqua, president of a bank at Amarillo, an officer of the Panhandle Southwest Cattle Raisers' Association, and a very extensive ranchman himself. Hovey thinks without doubt Fuqua will go just as far with us in this proposition as he can, and that, being somewhat of a diplomat, we will be able to handle the convention in the way that will at least not do us any damage.

The Mercantile Club, of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest.

I suppose the Mercantile Club of Kansas City, Kans., is a member of the Chamber of Commerce of the United States that has come out so prominently in decrying the Federal Trade Commission for the report on the packers.

Our friend Swinney, of the First National, also wired Senators Stone and Reed, stating it was an inopportune time to stir this matter up.

In short, we have as many lines working as we feel can do us any good at this time and intend to follow them up. I anticipate more can be done by Cowgill and Kemper on Monday than all the rest combined.

I had quite a long talk with Mr. Hovey, of the Interstate, this morning, who is unquestionably very friendly to our interests and gave me an insight as to the standing of several of his large depositors, one of whom was Landergin, of Landergin Bros., of Amarillo, who testified in Washington a short while ago. Mr. Hovey was of the opinion a large majority of the cattle raisers were against this, which opinion was not shared by Mr. Collett.

You want to attach that connection. Mr. Hovey is Landergin's banker, and he was giving special information to an agent of the packers.

Mr. YOUNG. Where is that bank operated?

Mr. LASATER. It is operated at the stockyards at Kansas City. But we had supposed it was not a packer-controlled bank; that was the general opinion amongst the cowmen. [Reading:]

Mr. Hovey feels the packers are giving the public a square deal, and this being the case, should court an investigation as to cost alive, cost to manufacture, and selling price.

All of the packers were working on this this morning, prominently among them C. W. Armour.

P. S.—Since the above was dictated, I have talked to Collett by phone, who stated Swinney wired Senators Stone and Reed to "put the skids" under this proposition and get rid of it. Downing, president of the New England National, also wired; likewise Huttig, president of the National Reserve Bank. Mr. Collett told me he would be in Chicago next Monday and here Tuesday. Perhaps you will get a chance to see him.

C. S. BOWMAN.

Copy sent to F. E. White and Nelson Morris, July 1, 1916.

Now, gentlemen, I want to show—it will take a little time, but I hope you will bear with me, because I think all of this is important, because it is suggestive and shows the many wires these gentlemen can pull and do pull. This next communication is addressed to Mr. T. E. Wilson, from the same man, Bowman, and is as follows [reading]:

Referring to my wire to you this morning, a rather innocent-appearing resolution was offered by Webb, of the First National Bank, San Angelo, Tex., in the A. B. A. convention Thursday.

That is the American Bankers' Association.

I haven't a copy of it, but will get one and send it to you. The essence of the beginning was that this Nation is an agricultural one, and its resources are being exhausted; that no great Nation like ours ever succeeded, on the contrary went down to defeat, if it did not husband the industries of the soil. Then, in the center of the resolution, was copied in almost identical language from Congressman Borland to the effect a congressional investigation should be made to arrive at the reason for the price paid to the purchaser and the price paid by the consumer for meat. While packers' names were not mentioned, it was squarely intended for us.

Mr. Hill and myself did some missionary work with the bankers we knew, among them Mr. Swinney, of the First National.

Mr. Nelson Morris, also Mr. Rich, of Swift's, did some work. Yesterday afternoon Mr. Webb got up and withdrew his resolution. It is quite evident pressure was brought to bear to make him do so.

This brings to my mind clearly we will have to watch meetings of this sort to prevent resolutions that are apt to be railroaded through without anyone being aware of the import of them.

Some member of the association was seated near Webb when the resolution was offered and arose and said he considered it of enough importance to have it referred to a committee, to which the convention finally agreed. I do not believe 10 per cent of the association knew what he was about, and if there had not been some opposition it would have been voted in on their records.

We have no reason to think there will be anything further objectionable of this sort made a matter of record with the association.

C. S. BOWMAN.

Now, I would like to read a letter found in the same report, page 2115, to George R. Collett, of the Kansas City Stock Yards Co., and my understanding is he was the manager of the Kansas City Stock Yards, Kansas City, Mo., from Thomas E. Wilson, president. [Reading:]

OCTOBER 3, 1916.

Mr. GEORGE COLLETT,
The Kansas City Stock Yards Co.,
Kansas City, Mo.

DEAR GEORGE: I have your letter of September 30, inclosing copy of Feeding and Marketing publication, for which please accept thanks.

You are correct in the assumption that I was posted on the resolution offered by Mr. Webb. I think Mr. Traylor did good work on this proposition, and, of course, he was ably assisted by yourself and the others on the ground in defeating the resolution.

On the Ruddy matter, it seems to me that somebody will have an opportunity to burn his fingers before long.

Yours, very truly,

THOMAS E. WILSON, *President.*

Mr. ANDERSON. What packing company was that?

Mr. LASATER. The Ruddy Packing Co.

Mr. ANDERSON. They have gone out of business?

Mr. LASATER. Yes; they have "burned their fingers."

Now, gentlemen, as to this resolution, I was present in Kansas City at the time of this convention. I talked to Mr. Webb in regard

to this resolution. Mr. Webb, who presented the resolution, stated to me that "if the country bankers were present in force and organized, there would be no question about it carrying, but" he said "a good many of them have gone home, and these large city banks have a much better fighting organization than we have, and I question very much whether this resolution will go through, but" he said "I desire to present it." And he did present it with the resolution as shown.

A Mr. Traylor, a packer-banker from Texas, and a very efficient man, stopped the passage of the resolution as stated. Mr. Webb knew there was no chance for a fight in that company. However, beyond any question the resolution would have been passed by the American Bankers' Association with the opposition. Had it been passed it would have been in the interest of the whole people as well as every banker that voted for it.

With your permission, I will insert the resolution referred to.

(The resolution referred to and submitted by Mr. Lasater is here printed in full, as follows:)

Whereas history records that only such nations have endured as have given heed to the conservation of their soil fertility. The facts are that in all time there is no record of any nation having mined and dissipated this priceless heritage with such a degree of careless abandon as ourselves. With the thousands of acres of virgin land being brought annually under the plow, we have reduced our annual average production of grains per acre to about 50 per cent of the production of our virgin soil, producing to-day less than half of the average per acre of European farms—this while yet our Nation is in its infancy; and

Whereas it is recognized by soil economists that animal husbandry is the most economical method of conserving and of building soil fertility, we face the alarming fact that for the past 20 years the production of cattle in the United States not only has not kept pace with the increase of population but has decreased in numbers: Now, therefore be it

Resolved by the American Bankers' Association in convention assembled, That the Congress of the United States be petitioned to order an investigation by the Federal Trade Commission into the production of cattle, the marketing of cattle, the slaughter of cattle, the distribution and sale of all products therefrom, in the hope that means may be found by which this important agency in the conservation of soil fertility may be increased and the masses of our people be supplied with this wholesome food product at a reasonable cost; and to the further end that reliable data may be secured by which the value of loans based upon cattle as collateral may be judged, so that the banking interests of America may cooperate with the farmer in developing the live-stock interests to the maximum limit, thereby increasing the fertility of our farms for the benetfi of future generations and the safeguarding of the hundreds of millions of dollars invested in farm mortgages.

Mr. RAINEY. If I may just ask a question or two.

Mr. TINCHER. Mr. Lasater's throat is bothering him, and I do not think he should be asked to proceed further now.

Mr. RAINEY. Just one question.

Mr. TINCHER. I move that we adjourn.

Mr. RAINEY. I can defer my question if I disturb Mr. Tincher, and I will be very glad to wait until to-morrow.

The CHAIRMAN. The committee will stand at recess until 10 o'clock to-morrow morning.

(Thereupon, at 5.10 o'clock p. m., the committee adjourned to meet to-morrow, Tuesday, March 2, 1920, at 10 o'clock a. m.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

TUESDAY, MARCH 2, 1920

PART 6

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

GILBERT N. HAUGEN, Iowa, *Chairman.*

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SYDNEY ANDERSON, Minnesota.
WILLIAM W. WILSON, Illinois.
CHARLES B. WARD, New York.
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ELIJAH C. HUTCHINSON, New Jersey.
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J. THOMAS HEFLIN, Alabama.
THOMAS L. RUBEY, Missouri.
JAMES YOUNG, Texas.
HENDERSON M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk.*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, March 2, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

STATEMENT OF MR. E. C. LASATER, FALFURRIAS, TEX.

The CHAIRMAN. Mr. Lasater, you may proceed.

Mr. LASATER. Mr. Chairman and gentlemen, last night I was attempting to discuss under heading four of my presentation, "Packer program for influencing legislation and getting control of live-stock organizations and their success in securing modifications of governmental rules and regulations by devious and improper methods."

I want to briefly touch upon a joint committee of cattlemen and packers that met in Chicago, at the invitation of the packers, December 7, 1917.

Mr. RAINEY. Mr. Lasater, may I ask a question?

Mr. LASATER. Certainly.

Mr. RAINEY. The testimony you gave yesterday and the testimony you are going to give now is testimony that you gave either before the House committee or the Senate committee?

Mr. LASATER. Part of it is.

Mr. RAINEY. Most of the testimony that you gave yesterday was?

Mr. LASATER. A good part was.

Mr. RAINEY. At that time the packers explained the questions that were asked?

Mr. LASATER. To my knowledge, never. I should like to speak——

Mr. RAINEY (interposing). But it is all in the record?

Mr. LASATER. Yes, sir. I would like to state that these hearings have been going on for practically two years before various committees and there is no man, unless he can devote his whole time to it, who can sit down and search out the stuff so that he can form a reasonable opinion of the evidence which has been presented before the committees. My attempt has been to do that, so that the public would know really what has been shown here. These gentlemen have had, on part of the testimony that I have presented here, more than two years to refute and a refutation of it at any time would absolutely have prevented the report of the Federal Trade Commission having any effect upon the country as a whole, but such refutation has not been made.

Mr. RAINEY. I want to state that I have no objection whatever to Mr. Lasater continuing his testimony, reading whatever he wants to read in order to bring it before the committee, but it was read before the Senate and the House committee and explanations were offered at that time by the packers before both those committees, and it is all in the record.

Mr. LASATER. I beg to qualify that statement, Mr. Rainey, by saying that there has been no explanation made at any time by the packers before any committee upon the subject-matter which I have introduced and which I propose to introduce to-day.

Mr. TINCHER. If the Congressman from Illinois knows where the packers have explained the testimony which the gentleman offered yesterday, I wish he would please tell me where we can get it so that I can examine it.

Mr. RAINEY. I do not know that they have explained it entirely to your satisfaction; I do not know whether they could or not; but I read last night a report that Mr. Lasater refers to quite frequently in his testimony, part 5, on the bill H. R. 13324.

Mr. TINCHER. Before what committee?

Mr. RAINEY. Before the Committee on Interstate and Foreign Commerce of the House of Representatives.

Mr. TINCHER. I have read that.

Mr. RAINEY. He started in at page 1412 and finished at page 1611, 199 pages, and what I read last night it is practically the same as what he stated yesterday. There is no objection on my part at all; I have not objected and will not object to the presentation of any testimony that is given here, whether it is a part of the Senate record or the House record, but I want you gentlemen to understand when the representatives of the packers come before the committee they have the same privilege of reading their testimony.

The CHAIRMAN. They will have the same opportunity. Each witness will proceed in his own way.

Mr. VEEDER. Mr. Tincher asked me a question.

Mr. TINCHER. I do not recall asking you any question.

Mr. VEEDER. I thought you asked a question.

Mr. TINCHER. No. It was stated that this would be an open hearing and everybody would be heard. Still, there have been objections all the way through to the witnesses' testimony. I will say to you frankly that I will stay here and hear every word that the packers have to say. If the members of this committee had to read every word which has been stated before the Interstate and Foreign Commerce Committee, the Judiciary Committee, and some other committees of the past, and then make our own analysis, there would not be very much need for this hearing.

Mr. VEEDER. I understand that you made the statement that you were not aware that the packers had answered the charges that were made yesterday, and had asked whether the packers had answered those charges.

Mr. TINCHER. I asked him and he said that they had not fully.

Mr. VEEDER. I wish to say that all of these charges which were read yesterday by Mr. Lasater, and I imagine from the caption of his notes the list that he is going to read to-day are letters that were taken by the Federal Trade Commission from one source and another

and were read into the testimony and into the record in the House hearing before the Committee on Interstate and Foreign Commerce and before the Senate Committee on Agriculture. At that time when the packers' witnesses were on the stand before the House committee they were asked questions as to these letters and they fully explained them.

In the Senate committee Mr. Heney asked the packer witnesses questions as to these letters and they were fully explained. I noticed that Mr. Lasater in quoting from the record of the House committee yesterday read from his own testimony, and in that testimony he states that he represents the American National Live Stock Association, but he introduced numerous letters which he read, taken by the Federal Trade Commission from the packers at various times and various places. I wish just to point out in passing that apparently while acting as the representative of the American Live Stock Association he was the representative of the Federal Trade Commission for the purpose of introducing letters which they had in their possession. I wish also to point out that the conclusions that he made yesterday on the letters which were presented were conclusions and inferences made by the Federal Trade Commission and made by Mr. Heney, and were letters taken at the time that Mr. Heney held his ex parte, so-called hearings. I wish further to say that Mr. Heney when he was holding those hearings announced himself to be a candidate for governor and subsequently ran for governor of the State of California. I wish to say further that at the time Mr. Heney appeared before the House Committee on Interstate and Foreign Commerce, Congressman Dewalt, of Pennsylvania, read into the record of the House committee the record of Mr. Heney in the West, charging him with the commission of various matters which in effect amounted to crime.

Mr. YOUNG. I do not think that this is regular procedure at all. We are here to hear this witness. I do not care about any of these charges pro and con. The gentlemen will have their day in court. This attack on Mr. Heney and all that kind of thing is foreign to this matter, so far as I am concerned.

The CHAIRMAN. Mr. Lasater, you may proceed.

Mr. LASATER. I desire to express my appreciation of the assistance that my friend, Mr. Veeder, has rendered me. Mr. Veeder has stated that the packers have met the charges, we will say, that I am now making, and have explained them. I state to you that the packers have never made any attempt to meet these charges and to explain them. I know of no instance where there has been a continuous report of the facts which at various times have been given to the country by the Federal Trade Commission and presented in such shape so that the packers could dispute each charge as it was made. Now, I am attempting to do that, and I am putting myself in such a position that if I am misrepresenting before this committee, Mr. Veeder can certainly show me up. I court his attempt to do so.

As I have stated, this is the result of the joint committee of packers and live-stock producers that met in Chicago. I will file the entire report here, but I only wish to take up your time to read a small part of it. The report is to be found in part 5, pages 1430–1433, of the hearings of the Interstate and Foreign Commerce Committee of the House of Representatives.

First, I might as well put into the record the personnel of that committee. Mr. Louis Swift and, I think, a brother of his; Mr. Wilson, representing Morris & Co.; Mr. Armour, representing Armour & Co.; and, I think, also Mr. Meeker; Mr. Veeder was also present, representing Swift & Co.; and a son of Mr. Cudahy—I do not recall his initials or his given name.

Mr. LIGHTFOOT. You said that Wilson was representing Morris & Co.?

Mr. LASATER. Wilson & Co. at that time. I appreciate your correction. I associated Mr. Wilson with Morris & Co. No, Morris & Co. was represented by Edward W. Morris, a young man who has been before the committee, and I quoted some of his testimony yesterday.

The cattlemen were represented on the committee by Mr. Heard, Mr. Burke, Senator Kendrick, Mr. Todd, Mr. de Ricqles, and myself; I think they comprised the representatives.

The result of some discussion was this resolution:

Resolved, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live-stock and meat industry and to determine on what phraseology of a resolution or appropriation bill or item will properly accomplish this purpose, the packers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item.

You gentlemen are familiar with what occurred after December 7, 1917. If there was any let-up in the opposition of the packers to this proposed legislation we could never discover it.

Mr. YOUNG. What is the date of that resolution?

Mr. LASATER. It is dated December 7, 1917. The meeting adjourned at 1.30 p. m. It is signed W. S. Traynor, who is Mr. Swift's confidential clerk, I think. He was elected clerk of the meeting and Mr. Herd presided at the meeting.

I think at this point, Mr. Chairman, I am ready to attack the credibility of the packers' witnesses and the principal packers themselves. I take it, if I can show that they are not worthy of credence, that it is useless to waste any of the time of this committee considering their personal attorneys and economists.

I desire to file before this committee a letter addressed to Mr. Weld, who is here present, under date of September 3, 1918, and signed by A. W. Green. I will state that I have been exchanging letters with Mr. Green in regard to certain situations since about 1910 or 1911. I have met Mr. Green several times and discussed these various matters with him. He is one of the many millions of American citizens who desire conditions that will enable them to make a home, and to raise a family creditably, and is one of what you might term a good citizen. I will file the entire letter so that the packers can not claim that I left out anything that would have changed the meaning of what I read. I will only take up a small portion of your time in reading parts of the letter.

Mr. RAINEY. On what page is that?

Mr. LASATER. This letter is published, I find, in part 5 of the hearings before the Committee on Interstate and Foreign Commerce. Mr. Green must have sent it to Mr. Sims, who was the

chairman of the committee at that time. On page 2415 I find this paragraph:

Is not the "immunity bath" decision in the packers' trial before the late Judge Humphrey in 1906 a farcical illustration of what is termed the regular method of procedure?

But for a real, glaring illustration of the abuses in judicial procedure, the national packing suit supplies the most startling developments in that line, from the burning of books when subpœnaed by a Federal grand jury, then changing the date of their destruction to accommodate the court necessities to avoid contempt proceedings, and crowned with three sworn statements of witnesses in that legal drama, alleging their employment in the procurement of perjured testimony to influence the case in favor of the packers.

It was about this time that so eminent an authority as Mr. Levy Mayer, of Chicago, in an address to the law school of the University of Chicago, is reported to have said: "The judicial proceedings in our courts of law are incomprehensible, indefensible, and unbearable."

If this is the situation in our courts, it is not a matter for public congratulation that the Federal Trade Commission and its legal advisor had the intelligence and the sagacity to profit by the experiences in former cases, and employ the necessary methods that would produce the facts and present them so clearly to the public as they have done?

On page 2417:

When Swift & Co. and Armour & Co. employed the rebate club over the eastern railroads in the early nineties, the stock-raising industries of the New England and the Middle States withered as does the growing corn of the Southwest under the scorching blasts from Death Valley, so that to-day, according to a statement of ex-Gov. Whitman, of New York, that State, which formerly had a stock of 5,000,000 sheep, has now less than 600,000 head.

I will skip several paragraphs that are not material.

Moreover, why not concede some credit to the people in this country for their sacrifices, their economies, and restrictions in their food requirements, to which they have so patriotically submitted in order to feed our soldiers and our allies in this world conflict?

Why leave it to the English press to recognize and publish this fact, as was accorded in one of the English papers only a few weeks ago, as follows:

"The tremendous reduction in American consumption which has secured supplies for the Allies has been achieved by the organized exhortation of 20,000,000 householders of the United States. Next to raising their armies, this is the most memorable of all proofs of the intense earnestness of the American people."

Regarding what Swift & Co. are pleased to designate as their international distributing organization, or, to use a plainer term, their export business, that was initiated and built up to large proportions by hundreds, if not thousands, of independent commission firms in Chicago and throughout the country, and the packers knocked them out by their usual ruthless methods and appropriated their business in the same lawless manner that they have driven out thousands of butchers and marketmen in the small country towns, and we now have an economic situation whereby live stock is shipped to Chicago and other packing centers, and dressed meat and other prepared products are shipped back to the country, which, instead of being an economic saving, seems to be a case of double freight and the employment of dear labor in the cities, against individuals and families in the country doing their own work; and consequently it is an economic waste on any surplus that is not required by the urban population.

I will skip over several paragraphs to page 2418:

Swift & Co.'s record on the Chicago Board of Trade has been good and clean, and their business affairs in that association have been conducted with an absence of the trickery and discreditable doings that have characterized the business methods of Armour & Co., but they made a vital mistake when in 1902 they displayed not only their willingness but their intention of uniting with Armour & Co. in the formation of that $923,000,000 packing corporation. By that act Swift & Co. proposed to ally themselves with a firm that long before

this time had become notorious for its discreditable business methods; a firm which seemed to prefer a singular course of extortion and exactions on the one hand, and to exult in planning and executing vicious schemes for demoralizing and overthrowing markets for purely mercenary motives, regardless of the distress it caused their fellow merchants, or how injurious it might be to the general trade of the country.

So bold and lawless became the firm of Armour & Co. that, according to the records of the Chicago Board of Trade, in the years from 1893 to 1896, it issued and circulated fraudulent warehouse receipts for 20,000,000 bushels of wheat. The magnitude of this swindling transaction exposed it, as not only the rules of the Chicago Board of Trade had been violated, but also a crime (punishable by imprisonment in the penitentiary for from one to 10 years) committed. The directors promptly investigated the matter, and when the facts were placed before them they voted the entire Armour & Co.'s system of elevators irregular.

At the trial before the directory the facts were admitted, but the three Armours—Philip D. Armour, Philip D. Armour, jr., and J. Ogden Armour—under oath denied knowledge of the issuing of the receipts. The manager of the Armour Grain Co. was suspended from the privileges of the board for 20 years.

They got the full benefit of the issuance of these receipts.

Mr. VOIGT. Is that some one giving testimony or is that a report?

Mr. LASATER. This is a letter from Mr. Green. I have been in correspondence with Mr. Green, as I have said, for more than 10 years.

The CHAIRMAN. Who is Mr. Green?

Mr. LASATER. A citizen of Chicago.

The CHAIRMAN. Is he identified with the packers?

Mr. LASATER. No, sir. These are facts that he gives here that it is easy to prove false. The records of the Chicago Board of Trade will themselves show them to be facts.

Mr. VOIGT. What you have been reading is a statement made by some gentleman in a letter?

Mr. LASATER. Yes, sir. He gives the authority and places himself in a position to easily discredit him if he is not giving the facts. I have had many conversations with Mr. Green and I know that he has been guilty for many years of libel if these were not the facts.

The CHAIRMAN. What is his business?

Mr. LASATER. He has been connected with a brokerage business in Chicago.

The CHAIRMAN. Has he ever appeared before any committee on of Congress?

Mr. LASATER. No; never before any committee. He sent this letter to Chairman Sims or it could not have appeared in the report. He has published many letters that he received on this subject. You will find in volume 5 of the report quite a bunch of letters from all over the country.

In the same letter on page 2420 you will find this:

In the issue of September 2 of the Chicago Herald and Examiner there is a very severe criticism of the Federal Trade Commission by the Chamber of Commerce of the United States.

As this criticism appears to be unnecessarily vitriolic in its denunciation of the Federal Trade Commission, it would seem to suggest some ulterior motive rather than a calm and deliberate expression of an unbiased opinion.

Among the prominent officials of the Chamber of Commerce of the United States, I observe that Mr. Harry A. Wheeler is the president. Mr. Wheeler also is the vice president of the Union Trust Co., of Chicago, of which Mr.

George E. Marcy is one of the directors, and who is also the president of the Armour Grain Co.

Is it possible that this is another case where "The voice is Jacob's voice, but the hands are the hands of Esau"?

I desire, Mr. Chairman, to offer here a clipping cut from the morning Post, which is pertinent along the line of testimony I have introduced.

PROFITEERING CHARGED.

The report made by the Federal grand jury at Spokane, Wash., on the existing grain situation in the United States is startling in its character and will attract the attention of the whole public. The grand jury asserts that a big wheat pool has been formed to manipulate the 1919 crop and that officials of the United States Grain Corporation are involved in it. Furthermore, it is charged that it is within the power of the Government at any time to cause a reduction in the price of flour.

The grand jury asserts that if the grain concerns were limited to a reasonable profit on their wheat and their milling concerns were allowed only the usual profit on their flour the price of flour could be materially reduced.

It is recommended that the Federal Government take action at once in the public interest and that Congress refrain from financing exports of wheat and flour abroad until after the American people are assured of relief from extortionate prices.

These are sensible proposals and should be entertained. The report of the Spokane grand jury, made after an examination of conditions in that section, is of a nature to demand the closest scrutiny. If their is profiteering in bread, the practice should be broken up at once and the profiteers brought to book.

Mr. TINCHER. The Department of Justice is investigating the gand jury?

Mr. LASATER. It may be. I am not here speaking for the Department of Justice.

I am speaking, Mr. Chairman, to the proposition of the packers' program for influencing legislation, getting control of live-stock organizations and their success in securing modifications of governmental rules and regulations by devious and improper methods.

Now, a question of conspiracy, as you gentlemen know, is one of the most difficult things to prove and it can be proved by simply gathering facts here and there that you can dovetail in and make a whole. I am going to ask your forbearance while I read a part of the testimony of Mr. Ike T. Pryor, cattle raiser, ranch owner, live-stock commission residence, San Antonio, Texas.

Mr. RAINEY. What is that from, where did it appear?

Mr. LASATER. This appears in the Senate hearings in November on the bills S. 2199 and S. 2202.

Mr. RAINEY. What page?

Mr. LASATER. Page 84.

Mr. PRYOR. Gentlemen of the committee, in a few months now it will be 50 years since I went to Texas; and I have been in the cattle business for 49½ years—through all its variations, its ups and downs.

During that time I have served three years as president of the Cattle Raisers' Association of Texas; I have served one year as president of the Trans-Mississippi Commercial Congress, an important organization in the West; I have served one year as president of the National Live-Stock Shippers' Protective League; I was elected in Chicago to that position. For two years I was president of the American National Live-Stock Association, and at its last meeting in Denver Senator Kendrick succeeded me.

Now, I am going to take you gentlemen back briefly to 1914. When the war was declared in Europe in July, 1914, it was obvious to all thinking cattlemen that there would be a great demand for our export beef cattle to be

shipped to Europe. That was the natural thing to expect if we considered the circumstances.

To go back a little further: The first year of Mr. Wilson's administration the Underwood tariff bill put meat and cattle and hides and the products of the farm as a rule on the free list. I was in Washington a good deal during that time. The cattlemen as a rule were opposed to beef going on the free list, because we believed the packers could bring that beef from South America into this country and sell it as refrigerated beef as against our beef on the hoof, and we contended that the consumer would not get the benefit of any reductions or taking off of the tariff.

I want to remind you that the consumer did not get any benefit from it.

And so along in 1912 and 1913 beef began to come from South America, as we had thought it would, and quite a number of millions of pounds of South American beef began to come into this country up to 1914. But when the war began we cattlemen who looked at all into the future knew that would stop and that the South American beef would be turned directly to Europe and that our own beef, which had stopped going to Europe, would start again.

In the meantime, a few years ago—and you want first-hand information, I take it—I cut off 16,000 acres from one of my Texas ranches and sold the land to the farmers and put a farmer on nearly every 640 acres. Those farmers came from Kansas and Nebraska and those States generally, and I had quite a nice colony by 1914, and they had begun to raise a great amount of feed. When the war was declared in Europe I called these people together and told them I would pay for any silos and as many as they would put up, and that I would furnish the money to them with which to buy cattle to put into the feed lots in the fall of 1914 to be sold on the 1915 market; that I believed conditions ought to make cattle high in 1915.

They all built silos and filled them with feed. And they all bought cattle. I paid for the silos and the cattle, inasmuch as they owed me on the farms, and I wanted to help them to pay out. They put cattle in the feed lots.

I was not the only man who thought that, but cattle went into the feed lots all over the Middle Western States, and with the demands for feeders the market was pushed up on that class of cattle until they went into the feed lots in 1914 at a high figure.

And now, what happened in 1915 was a tragedy. These farmers that I had put into the cattle business, and who had put their cattle into the feed lots, lost the entire feed they put into the cattle, because of manipulation. There was no reason why cattle should sell cheap on the hoof in 1915, when there was a great demand for dressed beef to go to Europe. The war had been going on for a year then. The only reason for such a condition was manipulation and mistakes of the packers. They were the ones who bought our cattle, and bought them cheap.

I want to refer now to the same years and to study the packers' profits.

The market committee of the American National Live Stock Association had a list of some 40 or 50 feeders throughout Illinois, Nebraska, and Iowa, and it showed that they lost anywhere from $10 to $50 a head on cattle fed in the feed lots in 1914 in anticipation of a demand that did not come. That raised such a howl throughout the country and so many complaints came in to Secretary Houston of the Department of Agriculture that he called a meeting in Chicago in the fall of 1915. It was called the Brand meeting, I believe.

They invited the packers to attend that meeting, to try to get together on some method, and to have them explain why prices had not moved up. The meeting was largely attended by shippers and men generally who were interested in the cattle business, but the packers did not come into the meeting at all, although it was held right in Chicago, at their front door. There was not a representative of the packers who came to the meeting. They ignored it. Of course, that had a tendency to still further incense the feeders and cattlemen. They felt they ought to have had a conference anyway with the packers.

Following, in the first part of January, 1916——

Mr. WILSON (interposing). Before you proceed, what was the date of the meeting you have just mentioned?

Mr. LASATER. The fall of 1915, my recollection is, in November. If you gentlemen remember, every packer here has appeared before some of these committees and the press has been full of it. Since we started the agitation they have been trying to get in closer relations with the producers and before I finish these records you gentlemen will realize that they have gotten into close relations with many committees.

Following, in the first part of January, 1916, the American National Live Stock Association held its annual meeting in El Paso, Tex. This slight on the part of the packers and the losses that the cattlemen had suffered were still fresh in their minds.

But the packers attended that meeting. I have here the resolutions passed at that meeting, which was largely attended. And there were several different organizations meeting there. There was a committee selected from the American National Live Stock Association, and from the Swine Breeders' Association, and other associations, to formulate a report to be made to the American National Live Stock Association's executive committee. They made that report, and recommended in the report the creation of a market committee, to look into the matter of marketing cattle. And the origin of that market committee is what has brought about the bills which are being considered here now.

The joint conference committee made its report. It is too long to read, but it is a splendid report, and they recommended the creation of this market committee. The association took it up and appointed the committee. They then asked for donations—not loans but asked for donations—from the cattlemen present, to help finance the work of the market committee. In one afternoon there were sixty-odd thousand dollars subscribed for that market committee, which I mention in order to show you the earnestness with which they went at this work. Senator Kendrick was there at the time. Twelve of us subscribed $3,000 of that $60,000. There were 12 men in what was called the $500,000 class.

The market committee appointed that year was headed by H. A. Jastro, of California, a man who represents a great deal in that State, and a large operator; Mr. E. L. Burke, who appeared before you yesterday, and is a pominent feeder of cattle; J. B. Kendrick, of Wyoming, a member of this committee, was another one; and I. T. Pryor, of San Antonio; and another man whose name I believe I have given you—they were the five men on that committee. They started out to investigate marketing conditions in the country.

Within one week after that market committee was organized, and after the convention at El Paso, there were three resolutions offered here in Congress seeking appropriations to carry out the work of this market committee. Representative Borland, of Kansas City, introduced one; a man named Doolittle, of Kansas, introduced another; and some one else—I have forgotten now the name of the other man—introduced another one.

In our conference we took the one that we thought would suit us best—although neither one had been introduced at our suggestion, and these men only saw the demand and were acting in accordance therewith—but we selected the Borland resolution and tried to push it through. We lost.

Senator NORRIS. That was providing for an investigation?

Mr. PRYOR. Yes, sir; that was to provide for an investigation. And, as I say, we lost that resolution. The committee that had it in charge reported unfavorably on it.

Senator KENYON. Was the Borland resolution ever passed by another Congress?

Mr. PRYOR. No, sir; I do not think the Borland resolution was ever passed. That never passed any other Congress, so far as I know. But I think the letter from the President asking for this investigation, and asking for an appropriation, is what brought it about. The lower House of Congress voted us $400,000 and the Senate cut it to $250,000. That was our first appropriation to make this investigation.

Now, let me stay with this El Paso meeting a little longer; I know that Mr. Morris was there, and that Mr. Meeker was there, and the packers were present pretty generally, I think. They saw a unanimous vote on these resolutions indorsing this market committee organization and indorsing the request for an investigation.

The market committee went to work with that $60,000—and let me stop right here to mention something: I have here a statement of what they spent, notwitstanding young Mr. Morris said in his testimony before this committee, or before some other committee here, that $150,000 a year was used for the purpose of pushing that matter. Here is a report of the money we have spent, made by our own secretary, in order to secure this investigation by the Federal Trade Commission.

I will not read that report, gentlemen, because the whole statement will be filed with you, and I will cover that later.

Senator KENYON. For what period of time is that?

Mr. PRYOR. Three years.

Senator KENYON. You did not spend as much money in three years as his salary amounts to in one year?

Mr. PRYOR. No; I guess not. And I have something to touch upon a little later on down here.

With your permission I will pass on for several paragraphs.

(At this point Mr. Wilson, of Illinois, assumed the chair.)

Mr. LASATER. (Reading:)

Mr. PRYOR. We will pass on now from the 1916 meeting, where the efforts of the market committee were unanimously indorsed, to the 1917 meeting. The year 1917 was an active year. The Federal Trade Commission in the latter part of that year—and we had gotten this appropriation and they had begun work under it—were making headway.

In January, 1918, the American National Live Stock Association held its convention in Salt Lake City. At that convention Mr. Louis Swift was present and made a talk. I introduced him, being the president of the association. He heard these resolutions read and passed. I am going to read to you this resolution passed at Salt Lake City. Mr. Swift listened to this, and there was a big delegation of packers present:

"Resolution No. 3 indorsing the Federal Trade Commission investigation.

"Whereas the Federal Trade Commission in response to the President's order of February 10, 1917, is making an investigation of the packing industry of the United States; and

"Whereas we believe the Federal Trade Commission, assisted by the Department of Agriculture, is the most suitable agency for ascertaining all the facts, explaining their significance to the public, and submitting recommendations to the President and Congress; and

"Whereas we think it is vital to the Nation that the public be made aware of the extent of control by the large packers over the various industries connected with food production and distribution, and the means employed in the acquisition of such control; and we approve of the public hearings now being conducted by the Federal Trade Commission: Therefore be it

"*Resolved*, That the American National Live Stock Association heartily indorses the action both of the President in ordering the investigation and of Congress in providing the necessary funds for conducting it; we urge that the investigation be unremittingly pursued and a prompt report made; and we commend the work of the Federal Trade Commission and the Department of Agriculture in this matter, and pledge to them our hearty cooperation and support through our market committee and in every other possible way, to the end that prompt measures may be taken by Congress to put the live-stock industry on a sound economic basis for the future, so that it will keep pace with our growing population."

I put that resolution to the convention, and I do not think I exaggerate the situation there when I say there were 15 States represented at the convention and I did not hear a single dissenting vote. Mr. Swift, and Mr. Morris, and quite a number of other packers, I think, were present. They did not raise a voice against that resolution at all.

(Senator Gronna resumes the chair.)

The CHAIRMAN. You may proceed with your statement, Col. Pryor.

Mr. PRYOR. Now, then, gentlemen of the committee, you will observe by this resolution that the Federal Trade Commission's report was not out yet; but their investigation had been made.

Now, we come along to the year 1918. Everything was strenuous and everybody was trying to win the war. The market committee was on the job. The Federal Trade Commission put its report out, and the market committee met and discussed it for two days in Chicago. Our attorney was Mr. Walter L. Fisher, a very able man, a man who had been the Secretary of the Interior in one of the administrations. As I have said, that Federal Trade Commission report was discussed for two days, and finally we got a unanimous indorsement of the report.

The Denver meeting came on in January, 1919.

Mr. YOUNG. The indorsement that you speak of was by whom?

Mr. LASATER. By the American National Live Stock Association at their annual meeting at Salt Lake City, January, 1918.

Mr. YOUNG. Live-stock producers?

Mr. LASATER. Yes, sir.

Mr. YOUNG. How much of a live-stock association was that at that time?

Mr. LASATER. An organization largely confined to the West, the intermountain country. The Texas Cattle Raisers Association was one of the member organizations to make it a national organization, in fact, and it has come nearer being of a national character than any other organization of live-stock men, but, as I say, its membership was very largely in the intermountain country and Texas.

With your permission, I will skip, because I have read into the record the resolutions passed at both Denver and Spokane.

Further, here is a resolution indorsing the work of the market committee. I will file it, but I will skip it and pass on to his comments.

That was at the Denver meeting, gentlemen of the committee. I am going to give you the names and a little inside history of who the members of the market committee were at that time. It had passed through two or three years. When I became president I went off of the committee and they gave me authority to appoint two more men on it. Here is the market committee that carried this work on from 1918 to 1919:

Henry A. Jastro, whom I mentioned before. He is a prominent man on the Pacific coast and one of the largest cattle owners and farmers out there. I think he is probably the largest farmer in the world, for I think he has 200,000 acres under cultivation. That is some farm. He is heart and soul with this work right now.

E. L. Burke, who appeared before you. Mr. Burke has fed cattle for some 12 or 15 years, and he knows what he is talking about. Maybe he has fed cattle 25 years, and he has fed them in a large way.

Hon. Joseph M. Carey, who was once governor of Wyoming, United States Senator, a Member of Congress, and was president of the Wyoming Cattle Raisers' Association. He is an old gentleman and independent, and he would not lend himself to a movement that would injure any line of industry. His life is all behind him, and he wants to leave conditions right for his boys.

Dwight B. Heard, of Phoenix, Ariz., is the man I succeeded as president of the American National Live Stock Association, and is a prominent operator in Arizona.

Senator KENYON. Is Mr. Carey's son the present governor of Wyoming?

Mr. PRYOR. Yes, sir; he is the governor, and on the market committee now.

Senator KENDRICK. That is his brother who is governor now?

Mr. PRYOR. Yes, sir. Now, here comes Ed. C. Lasater, who has appeared before you gentlemen, and a very large farmer, and the largest dairyman, I expect, in the country. He is a man who is a thinker. You do not always agree with him, but you have to take your hat off to him.

W. R. Stubbs—I put Gov. Stubbs on the market committee because I believed he was going to become United States Senator from Kansas. I missed my guess. He did not get there, but he ran all right, and was in the race. He is a mighty live wire, and a big cattleman, and is a credit to any work.

Mr. TINCHER. Was not that a dangerous statement for him to make with Senator Capper on the committee?

Mr. LASATER. That was not a well-considered statement, probably.

Mr. WILSON. They had a good time, anyhow?

Mr. LASATER. No; it was too serious to be enjoyable.

And last, but not least, H. C. Wallace, who publishes a farm paper and is the owner of a farm paper that is one of the best in the United States, and is probably superior to any other. I read it with a great deal of interest. He appeared before you this morning.

Those are the seven men who have carried on this propaganda to get the investigation, and they are all men who may be relied upon. They have something to lose. They have reputations to lose. I am mighty proud of that market committee, because I believe they are the right kind.

Now, gentlemen of the committee, I will skip several pages because I realize this is trying on your patience, but there are some things here I want this committee to understand, some difficulties that the people who have been trying to bring about an investigation first and then legislation to meet the conditions exposed have had to meet.

Mr. WILSON (in the chair). How much of that have you to read?

Mr. LASATER. Very little more. I will file the whole thing, so that no one may charge me with leaving out some of the testimony, but I will only read very little more. [Reading:]

This unprecedented propaganda carried on by the packers, and being helped by what appears to be a great, an almost unanimous public opinion, has caused me to classify those who are favoring no legislation.

The first to consider are the men directly or indirectly in the employ of the packers.

It is natural that they would be opposed to it. But who are the other men? All stockyards that are worth the name of stockyards, central markets, have agents out throughout the country soliciting business for those yards. Those men are indirectly in the employ of the packers, and then those agents who sell beef all through the country they are in the employ of the packers. That takes a pretty large number of people.

Second. The live-stock commission men at all the market centers who are agents of the producers but dominated by the packers.

Now, I am a live-stock commission man. I am the largest stockholder in the Evans-Snider-Buel Co. We have a sales company in Chicago, St. Louis, Kansas City, Oklahoma City, and Fort Worth. We keep four and a half million dollars out among the cattlemen all the time. We loan this money at 8 per cent. That is the way in which we loan on cattle, at 8 per cent. We sell those notes back East. This company has been in existence for about 40 years—in the commission business for 35 or 40 years. It has good credit. We never allow our loans to go beyond $5,000,000, because our capital and surplus amount to about $500,000. Therefore we claim that would be margin enough.

Now, Senator Norris, say you are a shipper of cattle to market. I am a commission man, selling your cattle. If I get out and fight the packers, give any of their tips away, come out in the open in favor of this legislation in place of no legislation, and make myself obnoxious, the packers will not buy from me, and then you will not ship to me. You are not going to ship to a man the packers will not buy from. Therefore, my work and my living depend upon keeping quiet or helping the thing along. These commission men and salesmen have to cater to the packers, because if the packers did not buy from a commission house you would not ship to that commission house not even to your own brother. Isn't that right? Now, these are commission men, and that is their attitude. They have to either keep quiet or go out of business.

Third. The borrowers of money from cattle loan companies, bank and trust companies in which the packers are financially interested.

You know very well if you owe a packer bank or a packer loan company $50,000 or $100,000—and cattlemen are the greatest borrowers on earth; no

men on earth can borrow more, and I have known them to borrow $30 on a $20 steer. You can not get that much out of a $20 gold piece. They are the greatest borrowers in the world. And when you go out and borrow money from a packer or a packer loan company, and you owe them money, and then they come and ask you to sign a petition to Congress not to pass this Kenyon or Kendrick bill, what are you going to do? In nine cases out of ten, if you are a little bit weak, you are going to sign it; and you are going to give them a letter, too, if they ask you for it. That is another class of men, and quite a large class. It is not the largest class, however, that they are working on. There is a still larger class of people.

Fourth. Those who have large numbers of cattle to market and don't wish to incur the disfavor of the packers, who, under the present order of things, are the logical buyers if the cattle are for slaughter.

I want to stop right here and tell you that I have an office in San Antonio a little larger than this room. It is a ground-floor office. Every morning at 9 o'clock on the bulletin board is an account of the receipts of cattle from seven different markets. There are remarks on the state of the market—lower or higher, 25 cents higher or stronger, or weaker, whatever the case may be. It is right across the street from one of the largest hotels in San Antonio. That is a cattleman's hotel, and all of them stop there. So it is nothing unusual to have 15 or 20 cattlemen sitting in there discussing the market, and discussing conditions with me. I have a back room that I work in, but I get out there and talk with them, and being at the head of these organizations I ought to be, if of fair intelligence, a pretty good judge of where this propaganda comes from, and also a pretty good judge of how they feel deep down in their hearts. I have had them to come and tell me not to come here, that it would hurt my interests—and I have 9,000 cattle on hand, notwithstanding they have said at Fort Worth I had sold out, and that that was the reason I was taking this stand. But I have not sold out. And my good friends think this will hurt me. I do not think so. And I want to be understood right here when I say that these present packers are high-class men, and that I am after the system and not after the men. I do not think it is the right system to have in any country. These packers may not leave the business in the hands of men who are as considerate as they have been.

Now, here is the fifth and largest class, the largest number by all odds are in this class.

Fifth. And last, but not least, are those who are thrown into convulsions whenever Government ownership or Government operation are mentioned. Just having witnessed the colossal failure of the Government operation of railroads, telegraph, and telephone lines in this country, they don't care to take the slightest chance with such a calamity befalling the packing industry, and this is the trump card the packers are playing. They are using all kinds of deceptive advertisements and literature to lead the public to believe that Federal control would lead to Government ownership and operation.

The packers, commission men, and stockyards were placed under license during the war and no complaint was made, and they seem to have worked harmoniously.

That is a fact. Cudahy in one of his statements to his stockholders, which I had but have lost, goes on to eulogize the Government cooperation with them in getting by the war, and so on.

Senator KENDRICK. May I ask you a question or two here in connection with your statement as to the list of men who are influenced?

Mr. PRYOR. Yes, sir.

Senator KENDRICK. Do you know the Cassidy Southwestern Commission Co.?

Mr. PRYOR. Yes, sir.

Senator KENDRICK. Do you know some of the stockholders of that company?

Mr. PRYOR. I know them all.

Senator KENDRICK. Is Mr. Sansome a stockholder?

Mr. PRYOR. Yes, sir; and he is chairman of the board, I think.

Senator KENDRICK. Is Mr. Lee Russell a stockholder?

Mr. PRYOR. Yes, sir; he is a stockholder and the president of the company.

Mr. YOUNG. Is that Mr. Marion Sansome?

Mr. LASATER. Yes, sir; it is Marion Sansome.

Mr. YOUNG. All right.

Mr. LASATER (reading):

Senator KENDRICK. Is J. S. Lyons a stockholder?
Mr. PRYOR. He is the manager of the company.
Senator KENDRICK. Is Mr. Sam Davidson a stockholder?
Mr. PRYOR. I do not think he has any interest in the company. He is in a cattle loan company, however.
Senator KENDRICK. He is listed as one of the stockholders?
Mr. PRYOR. Well, probably he is then.
Senator KENDRICK. And he is listed as one of the directors?
Mr. PRYOR. Isn't he a director in a cattle loan company?
Senator KENDRICK. Well, it says in the Cassidy Southwestern Commission Co.
Mr. PRYOR. Yes, sir; maybe he is.
Senator KENDRICK. Is Mr. Kleburg a stockholder?
Mr. PRYOR. Yes, sir; a director with them. I have got a letter from him that I am going to read before I finish.
Senator KENDRICK. Is Mr. Shults a stockholder?
Mr. PRYOR. Yes, sir.
Senator KENDRICK. Did you know that all these men, representing that company, had come here to testify against this bill?
Mr. PRYOR. Only from what I saw in the papers, and from the letter I received. I have received a letter signed by three of these men you have mentioned, and by a man named Todd, daring me to come up here and testify against this bill. I have looked for that letter, but can not find it. It sorter incensed me to think that they would do that, but they did.

It should have been for this bill. It reads here against, but when you read his testimony you will realize that he was testifying for this bill.

Mr. WILSON (in the chair). You may continue your statement.

Mr. LASATER (reading):

Senator KENYON. You said they dared you to come up here and testify against that bill. Did you mean that?
Mr. PRYOR. That I would come up here and testify in behalf of this measure?
Senator KENYON. Well, that is what I thought you meant.
Mr. PRYOR. Yes, sir.
Senator KENDRICK. That represents eight members of this one concern that came here and testified against this bill?
Mr. PRYOR. Yes, sir; and a very large commission company.
Senator KENDRICK. It is of interest to know how many representatives of this one commission firm have been sent here.
Mr. PRYOR. Yes, sir.
Senator KENYON. Did not they tell us that they were the members of that company when here?
Senator KENDRICK. I think probably they did.
Mr. PRYOR. Put this in the record, that this man Sansome was the president of a stockyards bank at Fort Worth at one time, a bank that was owned by the packers. I do not know whether he has anything to do with it now or not. But he was at one time the president of that bank.

I will read no further from Mr. Pryor's testimony, but the whole of it is filed with you. And I think, gentlemen of the committee, that it was understood when I asked permission to read Mr. Pryor's testimony that his testimony would all go in, although I would only read certain parts of it. I do not care to take up your time to read all of it, and, as far as I am concerned, I am satisfied with what I have read, but if the committee desires all of his testimony the whole of it may go in.

Mr. WILSON (in the chair). Without objection the whole of Mr. Pryor's testimony, from where Mr. Lasater has stopped reading, will go in. [A pause without response.] There being no objection it is so ordered.

(The testimony referred to is here printed in full in the record, as follows:)

The CHAIRMAN. You may proceed with your statement, Mr. Pryor.

Mr. PRYOR. Here is the way this is done: (Here is a letter from Oklahoma City, from the manager of our office, Evans-Snider-Buel Co., of Oklahoma City.)

"OKLAHOMA CITY OFFICE,
"EVANS-SNIDER-BUEL CO.,
"*August 6, 1919.*

"Col. I. T. PRYOR, V. P.,
"*San Antonio, Tex.*

"DEAR COLONEL: I hand you herewith copies of literature that the Oklahoma Stock Yards have asked me to mail to our customers. Before doing this, I want to know your pleasure in this connection, as people seem to be divided in their opinions in connection with the legislation about to be introduced in Congress.

"Please advise me your conclusions in this matter.

"Yours, truly,

"H. M. KIDWELL, *Manager.*"

You will notice that he says that they have sent him some literature to be mailed to our customers. I am going to give you the significance of that matter. These commission companies have what they call a mailing list. That is, a list including the small and large feeders of cattle, and it is nothing unusual—well, I will say that the Clay Robinson Co., in Chicago, probably have 50,000 names on their mailing list, and our mailing list contains over 20,000 names. These Cassidy people have 20,000 or 30,000 names on their mailing list, including farmers all over the country. They send them a circular letter every week, giving them market conditions. You will see what it would mean to send out these letters and circulars to people in that way.

The CHAIRMAN. Clay Robinson Co. are also on the St. Paul market, aren't they?

Mr. PRYOR. Yes, sir.

Senator NORRIS. What sort of literature was it that was referred to in that letter?

Mr. PRYOR. About the Kendrick and Kenyon bills.

Senator NORRIS. That was a part of the propaganda?

Mr. PRYOR. Yes, sir.

The CHAIRMAN. You may continue your statement.

Mr. PRYOR. It will be right interesting to you people, I think, to know about these things. I told you that right soon I will have been in the cattle business 50 years. In the early stages of the cattle business I was driving cattle from Texas to the Northwest. From 1867 or 1868, or anyhow from 1870 to 1884, there were from 500,000 to 1,000,000 cattle driven out of Texas annually to the Southwest. Our worthy friend [turning to Senator Kendrick] followed one of these herds up to the Northwest, and that is where he stopped, right there.

Senator NORRIS. And he could not get back?

Mr. PRYOR. He could not get back; and now he is here. I was one of the trailmen, but I did not stop up there; I came back to Texas. But in 1884 I drove 15 heards of 3,000 cattle to the herd. This may seem foreign to what I am going to tell you, but you will find it is not when I get to the point; 45,000 cattle went into Montana and those other States from Texas. I paid $12 a head for all yearlings that I had. I went into one herd, the prettiest herd I ever saw, the cross S herd, in 1884, and paid that man $12 each for those yearlings, and offered him $25 the run for that herd of cattle. He refused it, and wanted $30.

And I will stop here to say that I could not drive that many cattle unless I could rustle up some $600,000 or $700,000. In Mr. Swift's testimony it is shown that the capital stock of his company in 1885 was $300,000, the year after I drove all those cattle. The market started down in 1884. The tendency of the market was down, down, each year $3 or $4 a head less than the year before. But Mr. Swift had $300,000 invested. That was his capital. And his capital and surplus in 1919 is $154,000,000—an increase in 34 years of $153,700,000—I am taking off the $300,000 that he started with or had in 1885. That leaves an average increase per year of $4,657,000. Now, I do not know the situation exactly, and they may have sold rock, etc., but those are the figures. The

average increase per year was more than 15 times their own original capital. The original capital was added to at the rate of more than 125 per cent per month.

Now, then, during all this time that they were accumulating this money and getting hold of it, cattle were going down, cattle were going down and down; and 9 years after that I offered that man—I mean 9 years after the time when I offered that man $25 for that beautiful herd of cattle, I went back there and bought them for $6.30 a head—in 1893. I bought that herd of cattle, 10,000 of them, and he guaranteed that there were 2,500 steers, and threw in the calves, and loaded them on cars 30 miles from the ranch.

What did I do with those cattle? The packers were handling them for me. I shipped them to the Territory, and put them on the Cherokee Strip, with other cattle I was handling, quite a number of cattle. I remember very well that one train of this lot, cows, brought 85 cents. There was no front figure to it, but just 85 cents—not $1.85 cents at all, but just 85 cents.

At that time we were nearly all broke. And still these packing men were keeping their margin growing.

Now, then, gentlemen of the committee, I want to take up here the propaganda——

The CHAIRMAN (interposing). That was the low level, in 1893?

Mr. PRYOR. Yes, sir; in 1893 and 1894, that was the lowest level that we had.

Now, I have a letter here from a man named Sam Davidson, of Fort Worth, who writes to Claude Hudspeth, one of our Congressmen. He writes him a letter objecting to these bills. This is the letter on the other side of this circular. The packers or the stockyards, or some interest got hold of it and circularized it. I venture to say that that letter, as thus circularized, went to probably 50,000 shippers—because they have these market mailing lists—and you will see that a wonderful combination we are fighting.

They make capital of this. See how they start out at the top in big letters. "Forty years a cowman." And, right under that, in slightly smaller letters they have "Sam Davidson's story." Then, under that, they have "In the name of a long-suffering people." Then, underneath that, they have "Excerpts from his statement":

"Surely there is no reason why the defendant (packers) should not put his evidence before the jury.

"Government control of such business is one that should be approached by politicians in a spirit of investigation and humanity.

"Think a few minutes from the people's viewpoint.

"Imagine the Government in charge of a business where nothing must be wasted.

"If the Government should take charge of the packing industry, it would not be hard to predict the doubling of the price of beef to the consumer in less than 12 months thereafter.

"And the political appointee; when he wrecks it (Government-controlled business), all he has to do is to resign and leave the débris and the public disgust to his successor."

And then, down at the bottom, they have in brackets:

"Sam Davidson, Fort Worth, Tex., cattleman for many years and still a member of the executive committee and honorary vice president of the Cattle Raisers' Association of Texas. Live-stock men, think ye for yourselves."

Here is a message that you should study:

Mrs. King owns 12,000 acres of land, well stocked with as good cattle as are in Texas. She has a son-in-law who handles her business, a high-class man, named Robert Kleburg.

Mr. Robert Kleburg writes a letter to John N. Garner, whom we consider our leading Congressman down there, as he has been at Washington a long time and is a very active man. Here is the Live Stock Reporter, which takes that letter, which is a private letter from Mr. Kleburg to John Garner——

Senator KENYON (interposing). How in the world did they get that thing in?

Mr. PRYOR. Kleburg gave them a copy; Garner did not give it; and they are publishing it, the same as they did this letter from Claude Hudspeth. It starts here [indicating] and is carried on over here; and there you are; and signed, "R. J. Kleberg." That much for that circulation. I would like to file these two papers.

(The clippings from the Fort Worth Daily Live Stock Reporter and the Fort Worth Star-Telegram, respectively, submitted by Mr. Pryor, are here printed in full, as follows:)

"(From Fort Worth (Tex.) Daily Live Stock Reporter, Aug. 7, 1919.)

"Kleburg says placing of packers and their agencies under control of Government will be ruinous to packer, meat producer, consumer.

"Permission has been granted the Live Stock Reporter to publish the letter of R. J. Kleburg, with reference to the proposed packer legislation, addressed to Senator John N. Garner. Mr. Kleburg, of Texas, needs no introduction to the live-stock fraternity of the United States. He is as much interested in the beef production as anybody and is doubtless breeding more cattle than any other individual or company in the United States.

"Does Mr. Kleberg, the producer, favor any of this rot that is proposed by Kenyon, Kendrick, et al.? Well, not on your life. Here's what he says:

"Hon. JOHN N. GARNER,

"*House of Representatives, Washington, D. C.*

"MY DEAR SIR AND FRIEND: There are several bills pending before Congress, known as the Kendrick bill, No. 2199, Kenyon bill, No. 2202, both in the Senate; and the Lever bill, No. 5310, in the House, all of which bills propose that the Federal Government regulate and control the meat-packing industry for the purpose of encouraging the production of meat by the payment of better prices to the producer and decreasing the price of meat products to the consumer.

"As you know, I am largely interested in the production of beef, probably breeding more cattle than any other one person or company in the United States. I hope, therefore, that you will pardon me for calling your attention to my views upon this very important question, and I will try to be as brief as possible. While I do not pretend to be familiar with all the questions and controversies involved in this subject, I do believe that I am familiar with the controlling facts in the premises:

"1. I think it can be stated as a fact that the packers understand the packing business and handle the same efficiently, having created and developed this great industry, taking care of all the meat-producing live stock and finding a ready market for same at home and abroad.

"2. I think that it can be stated as fact that the packing industry can not be carried on successfully without the successful production of meat-producing live stock.

"3. The packers are compelled to pay to the producers of meat-producing live stock a price which will justify the producer to remain in the meat-producing business.

"4. It is contended that the packers control the price that is paid for meat-producing live stock. If this is true I contend that it will redound to the benefit of the producer, for the reason that it enables the packer to pay to the producer a fair price that will allow him to continue in business, and this should make the producer safe, as I am not afraid that the packer is badly informed regarding his business, that he will kill the goose that lays the golden egg. The fact is that only since the packing business has been thoroughly established has the production of beef and pork on the hoof become a real and extensive industry in itself in this country, and the packing and producing business are now interdependent.

"5. Now, as to the consumer: The packer must furnish his product to the consumer at a price that the consumer can afford to pay, otherwise the packer can not readily dispose of his product, thereby resulting in great losses and possible ruin to his business. In other words, he can not have the pudding and eat it, too. I further think it is a fact that the law of supply and demand is one of nature's continuous and controlling laws, which legislation can not successfully improve upon.

"6. The various accessories, such as cold-storage plants, refrigerator cars, and stockyards, were created, developed, and established by the packers because they were absolutely essential to the economical and efficient handling and marketing of all the packers' products, and these facilities were provided by the packers because no one else would provide them. Now, I firmly believe that if all these agencies, accessories, and their management are placed under the control of the Government or its officials, we may look for the same results that followed the administration of our railroads by the Federal Government, which would be ruinous not only to the packers, but also to the meat producers and consumers.

"I am not writing this letter for the purpose of taking up the fight for the packers, but out of a sense of duty to protest against legislation that will lead

to a bureaucracy in this country. Trusting that you will give this matter your consideration and let me hear from you at your convenience.

"Assuring you of my kindest regards, I am,

"Yours, very truly,

"R. J. KLEBERG."

EVOLUTION OF THE CATTLE INDUSTRY IN THE STATE OF TEXAS.

[From the Fort Worth Star-Telegram, July 26, 1919.]

Fort Worth cattleman says people will bear brunt of Federal control of packers.

Opposing Government control of packers "in the name of a long-suffering people who must bear the brunt, a letter written by Sam Davidson, of Fort Worth, cattleman and banker, director in the Cattle Raisers' Association, of Texas, has been sent to Representative Hudspeth at Washington.

Davidson declared that "suffering citizenship" has heretofore witnessed Government control of affairs that the Government was not capable of handling.

The letter follows:

"I note the comments of yourself and others among our Congressmen to the effect that a wave of propaganda is being sent broadcast over the country by the packing-house interests, said propaganda intended to forestall congressional action toward regulation and control of the meat-packing and food-supply industries of the country.

"The only literature I have received on this matter comes from the Federal Trade Commission at Washington, and I should like to see some of the reading matter from the packers. As live business men, I do not doubt that they will take steps to be heard from, and if the matter is to be laid before the public, surely there is no reason why the defendant should not put his evidence before the jury.

"HARD ON CITIZENS.

"I do not advocate monopoly nor exclusive control of foodstuffs of the Nation by any individual nor combination of them, but I do say that governmental control of such business is one that should be approached by politicians in a spirit of investigation and humanity. Too often, unlike the angels who 'fear to tread,' our Government has rushed in on the control of affairs. They were not qualified to handle and have left the humanity end of the argument to be borne by a suffering citizenship.

"I have been in the cattle business in Texas now nearly 40 years, and I have watched that business build up from a drifting and nomadic lot of herdsmen with no pastures, no transportation, practically no market, and only a small and uncertain value for our cattle. Much of our beef had to be butchered by contract and packed in brine pending the finding of a purchaser. Those were the days when we had our 'cattle on a thousand hills,' but were very uncertain which hills. Contrast that condition with the present, when the stockyards, packing houses, and systematized markets, the refrigerator cars, and facilities for distribution have stabilized and made dependable what was hitherto an uncertain and haphazard business, and we old-timers can not disregard the transformation for which we are indebted to that people whose business the Government would so glibly take over.

"CITES RAILROADS.

"Your statement, Mr. Hudspeth, that opposition to Government control is inspired by the packers might be modified to some extent if you will think a few minutes from the people's viewpoint. Such a prompting from the packers would be totally unnecessary. Our people have watched the Government take over the railroads and run them into financial ruin, and at a greatly increased cost to the traveling and shipping public. They have seen the Government take charge of the telegraphs of the country and have watched the service go to pieces. They have sullenly submitted while Mr. Burleson, supposedly for war purposes, took over the telephones, established extortionate charges and ran it so badly that we could hardly be polite to the 'hello girl.' In short, governmental operation of public utilities has been such a doleful and costly failure that a chill runs down the public spine whenever the Government begins to threaten to take charge of anything which has hitherto escaped its paternalistic hand.

"TECHNICAL BUSINESS.

"No, Mr. Hudspeth, the packers do not need to suggest any premonitory groans from the public at the thought of Government supervision of any private business. Te Government itself has plentifully attended to that. And the letters you are getting against Government control of food facilities can be much more reasonably interpreted as an echo from a shuddering people who had rather 'bear the evils that they have than fly to others that they know not of,' except from sad experience.

"There is no need, in this letter, of going into details on the rampant tendency of the Government to take direct charge of everything under the sun. We have seen how gaily and with what nonchalance the average political appointee will take charge of anything on earth, or in the waters under the earth. When he wrecks it, all he has to do is to resign and leave the débris and the public disgust to his successor.

"As is well known, the packing business is a highly technical one, built up on years of closely checked experience, and one which depends for its success on the waste of absolutely nothing. Imagine, Mr. Hudspeth, the Government in charge of a business where nothing must be wasted! The wildest dreams of a dope fiend could not touch the outskirts of such a vision. If the Government should take charge of the packing industry, it would not be hard to predict the doubling of the price of beef to the consumer in less than 12 months thereafter. On all our Government-controlled business the watchword has been 'Let the people pay,' and we are busily engaged in doing so.

"ASK ABOUT RETAILERS.

"I want to see the producer of cattle get a stronger proportion of what the consumer pays for his beef and I know that the producer ought to have it, but I am not satisfied that it is the packer who is absorbing all the deficiency in the producers' part. I believe that figures will show that the price demanded from the consumer of beef goes, mostly into the pocket of the retail butcher. Your investigation of unbalanced conditions might well afford to include the retailer, who, in spite of fluctuations, seems to regard 'upward and onward' as his motto.

"I find by looking at the report of the United States Department of Agriculture, under date of July 4, 1919, that the average price paid for live cattle at the leading live-stock markets of the country during the period from March 1, 1919, to July 1, 1919, declined 19 per cent. The same report shows that during the same period the average price of dressed beef carcasses sold by the packers in six of the leading cities of the country—Boston, New York, Philadelphia, Washington, Pittsburgh, and Chicago—declined 25 per cent, while during the same period the average retail prices of beef, all cuts, to the consumer, in those same cities, declined only 9 per cent. Now, Mr. Hudspeth, go look at that report and see whose cat is stealing the cream.

"MAY NEED CORRECTION.

"This is no plea for the packers, Mr. Hudspeth. Along with the steel trust and other gigantic industries owning their own transportation facilities, etc., they probably need some corrective and restraining influences. But Government regulation of business has so often resulted in public dissatisfaction, and Government control tended so surely toward disaster that you must pardon the people for reaching you with apprehensive protests.

"Regulate if you must, but in the name of a long-suffering public, who must bear the brunt, don't try to have the Government take charge, if any other method can be found."

Senator KENDRICK. Is Robert J. Kleberg the one that represents one of the eight who came from your State?

Mr. PRYOR. Yes, sir; that is the same Kleberg.

Senator KENYON. I notice here an advertisement "Beef and Pep." Is that a packer advertisement?

Mr. PRYOR. I have had a hobby, gentlemen, for some time that I believed it was necessary for the people of this country to find out, if it could be possibly done, about what the producer of a given article received out of what the consumer pays. I believe this bill would pretty nearly give us a start in that connection. There is not any one of you; there is not any man in this

room who can give within 20 per cent of what the producer receives that the consumer pays. Out of every dollar the consumer pays, how much does the producer receive? And it will work in vegetables.

The retail butchers are the biggest robbers of all. They have got to be reached some way. There are too many of them in the business, and there are too many commission men in the business; that is the reason they raised the commissions. I fought that.

But that is foreign to our bill now.

Are there any questions you want to ask me?

The CHAIRMAN. Going back to 1884, Colonel, speaking of the price you paid for calves, $12. Do you believe that the producer of those calves made any money out of them at that time at that price?

Mr. PRYOR. They made good money at that time; conditions were different. Everything was cheap. But those who stayed in lost it.

You gentlemen who do not live in Texas have wrong ideas about the very big fortunes which have been made in the cattle business. They have not been made in the cattle business. The fortunes which have been made have been made in the land business. I have made $100 in land to where I have made $10 in cattle; and I have had $10 invested in cattle to $1 in land.

The CHAIRMAN. The price of land is advancing?

Mr. PRYOR. The price of land has advanced. I bought my land at $1.40. This King estate, with 1,200,000 acres, cost, for some of that land—was bought at not over 10 or 15 cents an acre.

The CHAIRMAN. What would those same calves cost now?

Mr. PRYOR. The yearlings would cost $30 now. They were thrown in then, and now they have gone back to $30 up.

Senator KENYON. Before you get away from this interesting statement, do you know who owns this Fort Worth Live Stock Reporter? I see it is published by the Reporting Publishing Co.?

Mr. PRYOR. I have got something right here that will give it to you.

Senator KENYON. The report of the Federal Trade Commission, part I, page 290, gives it—I wonder if it is correct—"Armour, 46.4 per cent, and Swift, 42.4 per cent."

Mr. PRYOR. I expect that is pretty nearly so, Senator.

I have a letter here that will give it, I think. This is the same paper [referring to copy of Fort Worth Daily Live Stock Reporter], and that letter is the only letter I have seen that was in our favor, yet he follows up with another letter that disabuses that.

(The letters referred to are here printed in full, as follows:)

[Live Stock Reporter.]

"ARCHER CITY, *August 19, 1919.*

"It is charged by the Federal Trade Commission that the packers own stock in and dominate the several market papers, influencing their editorial policy, etc.

"I have been a shipper to Fort Worth and other markets for years. Last year, in answer to what I considered a call of the country for beef cattle, I went on the market and bought several hundred stocker cattle at a loss.

"I notice that you print everything in favor of the packers. I would like to know if this is an honest conviction or more packer propaganda, and can determine from your answer to the following questions:

"First. Why did the packers break the market last year, from $1 to $2 per hundred within 24 to 48 hours, when they had all large carcasses sold to the Government at a fixed price?

"Second. During the past 30 days prices on calves and steers have fluctuated $2.50 per hundred. Have the packers' price to the retail fluctuated to a corresponding degree?

"Third. Why do the packer buyers bid differently on the offerings until they see an independent buyer on the yards and then bid actively against him?

"Fourth. Why do the buyers refuse to bid against each other and then divide a consignment after one buyer has bought it?

"Fifth. Why did the packers' association give out from their Chicago office recently a statement that the consumer would get cheaper beef as soon as the retailer had a chance to work off his higher priced stocks without also allowing the producer to work off his higher priced stocks?

"Sixth. If there is no combination, why is it that the producer must stand a loss without a corresponding loss from the packer and retail dealer?

"Seventh. If there is no packer propaganda, who is it printing and mailing out thousands of letters showing the evils of legislation against the packers without giving their own identity in the business world?

"Will you please tell me what would become of your business and the packers' business if it were not for the producer? Then, why is it that we never read in the Reporter anything favorable to the producer? Why is it that the producer also is not allowed to make a reasonable profit on his labor and investment? Why should he have to shoulder all the losses?

"The national banks have Federal laws controlling them in order that the rights of the public can be safeguarded. Can you tell me and thousands of other producers why the producers should not have examiners of their business under the same authority?

"The consumer does not support your paper. The packer is not supposed to support it. Please tell me why you do not carry something in your columns in favor of the class you are supposed to represent?

"Yours, very truly,

"W. C. YOUNG."

[Ray H. McKinley, of Fort Worth, publisher, to Mr. Young.]

"AUGUST 25, 1919.

"Mr. W. C. YOUNG, *Archer City, Tex.*

"DEAR SIR:—Your letter of the 19th instant received and carefully read. I shall attempt to answer your several questions, some of which, however, have no regard to our editorial stand against the proposed legislation now before the public.

"As regards the Federal Trade Commission's charge that the packers own stock or control the editorial policy of market papers. To my knowledge the packers are only interested in one market paper published in the country. They do not own a dime's worth of stock in the Fort Worth Daily Live Stock Reporter, nor have they ever in the 10 years I have been connected here in any way tried to influence the editorial or reportorial columns of this paper.

"The editorials that we have been running on the first page of the Reporter against the Kendrick-Kenyon bills were for the purpose of performing a duty we felt we owed to our constituency (the producer) in order that they may, of they so desired, take what action they could to prevent the passage of these bills, which in our judgment are much more dangerous to the producer than to any other branch of the live-stock industry. We have received numerous letters from stockmen and others allied with that industry commending us for our position in the matter, and we have received a few condemning our editorials; however, we are firm in our conviction that our stand is right and we are pleased to argue the question with any fair-minded man.

"Your first question regarding the break in the market last year: Referring to the files of the Live Stock Reporter, I quote from issue of August 8, 1918, as follows:

"Unfortunate conditions, to say the least, are prevailing in the cattle market. Practically all centers are receiving excessive supplies and prices are being pounded hard. Fort Worth receipts so far this week are slightly smaller than they were for the corresponding days a year ago. Shippers have been advised of present low prices and the inability of buyers to handle the big runs unless at great declines, but regardless receipts continue of excessive proportions, with no sign of a material decrease. It is evident that the cattlemen would not be sacrificing their canners and thin cattle at prices of to-day, which are down to the very lowest levels reached in years, unless they were forced to do so on account of drought conditions. There is no other avenue of escape for them. On the other hand, buyers can not be censored for the condition of the market. They are purchasing cattle in numbers far above their immediate demands. They can not be expected to keep up former prices when they are buying cattle more as a matter of accommodation than anything else. It's an unfortunate condition of affairs, but one that can not be remedied unless the drought is broken. As long as range conditions remain as they are, just so long will receipts continue excessive and just so long will values continue on the downward trend.

"Thursday's receipts amounted to 4,000 cattle and 1,000 calves. Lower bids were offered on everything from the best steers on down to the thinnest canner cows, and the good steers suffered a heavier decline than anything else, the

market being fully $2 lower on the higher-priced cattle and $1 to $1.50 off on others, as compared with Monday's values. Cows were steady for the day. Calves remained about steady.

"Second. During the past 30 days you say prices on calves were fluctuated $2.50 per hundred. Our records show the lowest average point of fluctuation at $1.50 per hundred. As to whether the packers' prices to retailers have fluctuated accordingly, I refer you to Government reports of fresh-meat quotations. This decline was largely due to the lack of demand for this kind of meat.

"Your third question, as to the indifference in bidding of packer buyers: The indifference of buyers of live stock on hoof is occasioned by the indifference of the buyers of dressed beef. This applies to the independent buyer as well as the packer.

"Your fourth qustion, asking why do the buyers refuse to bid against each other, and then divide a consignment after one buyer has bought it: This condition does not prevail, as can be borne out by any salesman. They sometimes bid on parts of consignments in an effort to secure their wants.

"Your fifth question: 'Why did the Packers' Association give out from the Chicago office recently a statement that the consumer would get cheaper beef as soon as the retailer had a chance to work off his high-priced stock?' I know nothing of the workings of the packers' association. But I do know one of the functions of the Live Stock Reporter is to keep shippers advised as to market conditions of each day of the week, in order that they may determine when is the best time for them to market their live stock.

"In your sixth question you ask: 'If there is no combination, why is it that the producer must stand a loss without a corresponding loss from the packer and retail dealer?' The subcommittee on District of the United States Senate, on August 5, this year, developed the evidence from an official of Armour & Co. that for that period in New York, Boston, and Philadelphia they were taking a loss on beef sales of approximately $7.50 per bullock. The packers contend they have lost money on beef all the year; they asked for an investigation to prove it. The retailer has his natural recourse to prevent a loss.

"Your seventh question, as to who is sending out packer propaganda, etc., I can not answer as I do not know. In my judgment it is every one's duty to oppose legislation that will destroy. I do believe, however, that the organized propaganda which has been going on against the packers, and for which the Trade Commission and others are partly responsible, injures the live-stock industry. It has not only caused Americans to eat less meat, but it has even affected England's desire to buy meat from us, thereby curtailing our export market and lessening the demand for your products.

"You ask what will become of my business and the packers' business if it were not for the producer? I'll tell you, 'It would go to 'ell.' And for that reason, Mr. Young, producer, the Live Stock Reporter has been trying in its humble way to protect its own interests by denouncing a proposed legislation that will, as before stated, ruin the producer before it affects anyone else.

"Referring to the national banks having Federal laws to control them, and asking why the packers should not be examined, I refer you to the investigation of the packers by the Federal Trade Commission. This investigation cost approximately a million dollars and was a very thorough one. If they found any misconduct why is there not a prosecution? There are enough laws already enacted to cover this situation without adopting one that if put in practice will be so far-reaching as to affect many other things than the face of it now discloses.

"The consumer does not support my paper, but the producer does, and a large number of them have expressed their gratitude for our efforts in their behalf.

"Respectfully,

"RAY H. MCKINLEY, *Publisher*."

Senator KENYON. The paper is practically owned by the packers?

Mr. PRYOR. I would say so.

Senator KENYON. Do the people generally know that when they are buying and reading it?

Mr. PRYOR. They do no stop to think, Senator. Right along that line there is not 1 per cent of the men interested in cattle and producing cattle who have ever read the Federal Trade Commission's report, and not 10 per cent of them have ever read the bills.

Senator KENDRICK. Col. Pryor, is it not your conviction, in regard to all this, that some sort of legislation may be enacted here that will clear up and correct any abuses that there may be in these markets without disturbing in any way the efficiency of the market?

Mr. PRYOR. Absolutely. I can not bring myself to believe that the Secretary of Agriculture, whoever he might be, would willfully pass a rule that would injure the industry that it is his sworn duty to look after.

Senator KENDRICK. After a lifetime of business relationship with this industry, is it not your opinion now that two things ought to be secured in any legislation, one of which would be legitimate and authorized publicity in regard to the market situation, so that there could no longer be a shade of criticism produced against it, because there would be information that would clear up any doubt; that would be the first thing; and the next thing, to increase in so far as possible, without any shock to the industry as it stands now, the opportunities of competition?

Mr. PRYOR. Sure. And not only that, if I was a packer, I would know it is inevitable that cattle and everything else has got to go down. We have got to get the whole system back. As it is, all of that will be loaded right at the packers' door. If we had that Federal control the packer would have something to fall back upon and something the people can rely on, and it will help him.

Senator KENDRICK. Is it not your conviction that in spite of these numerous witnesses who are coming here now, that the present agitation of this question will compare to the one that is to come like a whirlwind to a cyclone when these prices go down?

Mr. PRYOR. Yes, sir; you are right there. There is one thing more I wanted to state: There are hundreds of petitions now out to be signed by anyone who will sign them. The packers' friends are distributing them. One was dropped on my desk the other day in San Antonio, and I ought to have kept it and brought it up, but it nettled me, and I threw it aside. But I have had two men tell me before I left that they were out just going around and getting petitions; and, gentlemen, if you will pass this bill favorably in the Senate, then these petitions will begin to come in here, and it would not surprise me if you would get a million names. A fellow will just come around and present a petition and say, "This is to prevent Government ownership," and the man will sign it. You know how petitions are handled. That is what is going to happen. You will have petitions coming here that will snow you under.

The CHAIRMAN. We have received a great many, Colonel.

Mr. PRYOR. I want to say this for the record: I believe that if the packers were to take their buyers out of the market for one week it would create a panic the like of which this country has never seen; and they have the power to do that. There is a power that you can not leave in a few men's hands.

The CHAIRMAN. Assuming that the report is true that they have packing plants and the cold-storage plants filled, would it be advisable for them to do that?

Mr. PRYOR. No; it would not be advisable for them to do that, because they would show too plainly their power. They have to keep buying to cover that up, and they do keep buying.

Here is the thing that is going to happen: I am going to predict this, that inside of a few years these packers are going to be bringing South American meat into this country free of duty, because we are better able to pay for it than any other country except England, and probably better than any other country in Europe. They can bring a carcass from Argentine, South America, I have been told by an expert railroad man, to New York by refrigerator ship, by the shipload, as cheaply, if not cheaper, then you can ship can ship a carcass from Fort Worth to New York via rail. There is nothing in the world to prevent those men from bringing any quantities of that beef right into this country, putting it into the trade and not giving the consumer the benefit of the price they press down on. Then these cattlemen who are clamoring now for no legislation will be up here asking you to put a duty on the beef, and the packer will say you can not do it. They have their organizations so thoroughly effected, they have their system so good, that they will not let it pass.

The CHAIRMAN. That applies to grain as well as to beef?

Mr. PRYOR. And that does apply to grain also.

The CHAIRMAN. And we know that those transactions have happened not so very long ago.

Senator MCNARY. Under Republican administration, there has always been a duty placed on beef?

Mr. PRYOR. Yes, sir.

Senator MCNARY. Is it not a duty, then, to support the Republican tariff?

Mr. PRYOR. I think it would make Republicans out of Democrats. I am a Democrat that believes in tariff for revenue. We need revenue, and I want to see a tariff for revenue. [Laughter.]

Senator KENDRICK. You would like to get a lot of it out of the tariff on cattle? [Laughter.] Col. Pryor, I want to ask you this question: Is not your interest in this industry such that would make any injurious legislation to the markets fatal to your own personal interests?

Mr. PRYOR. Indeed, it would. I have 5,000 breeding cattle, all white faces. If you reduce the market—I have other cattle besides—suppose I had 9,000; it would hurt me just like it would hurt anybody; if it would hurt anybody, but I do not believe it will do that. I believe it will help.

Senator KENDRICK. Do you believe that if there was a sane settlement of this question so that men would no longer be compelled to surmise or guess on the valuation of their stock, whether they were mistreated on the markets, that that very fact would encourage men to go into the business beyond anything we have ever had?

Mr. PRYOR. Yes, sir; and I will state if there is not some legislation along this line passed I am going out of the cattle business, because I can see what is coming. I went through this gradual down and down once without something to help us out, and I do not want to go through it again.

The CHAIRMAN. We thank you very much, Colonel. We will hear Mr. Lasater.

Mr. YOUNG. Before you pass from that Mr. Lasater, as I recall on yesterday it was stated and I was curious to know why those gentlemen, several of whom you mentioned in Mr. Pryor's testimony, opposed a certain resolution offered before your organization: I am curious to know why a large cattle producer like the gentleman whose name you read would have the opposite point of view to that involved in the resolution.

Mr. LASATER. There are some things, Mr. Young, that I can not explain, but I will give you certain facts and will have to ask you to draw your own conclusions.

Mr. YOUNG. All right.

Mr. TINCHER. Is Mr. Pryor still in the commission business?

Mr. LASATER. No, sir; Mr. Pryor is out of the commission business.

Mr. TINCHER. Who succeeded him? Who took over his business?

Mr. LASATER. He liquidated it, sir; largely liquidated his business. If you will permit me to do so, I will handle that fully as I go along.

Mr. TINCHER. All right; I beg pardon for interrupting you.

Mr. LASATER. That is all right.

Gentlemen of the committee, I have such a wealth of material, it is very hard to decide just how to present it. You will find before our packer friends are through here that there are many seemingly cross-currents among live-stock producers. I am going to ask you to permit me to read into this record my resignation from the market committee of the American National Live Stock Association, and as the testimony goes on my reasons for so doing will appear.

Mr. RAINEY. Is this already in the record?

Mr. LASATER. It has never been put in any record. I will state for Mr. Veeder's information that this is new testimony, matter that has never been offered before.

Mr. WILSON (in the chair). You may proceed with your statement.

Mr. LASATER. I will state that this letter was written from Washington on January 16, 1919. [Reading:]

To the president, executive committee and members of the American National Live Stock Association, Denver, Colo.:

GENTLEMEN: I regret that matters before the legislative committees here have so shaped themselves that for me to leave here to attend our annual convention would lessen the probability of the passage of any effective legislation for control of the packers at this session of Congress.

I hand you this report of my activities as a member of your market committee. I had anticipated the privilege of stating them to you in person. As you will recall, I was not one that agreed with the proposed plans of our president and other members of the market committee for shaping our activities following our annual convention of 1918. The plan of those differing from the administration and majority of market committee was approved by resolutions committee and adopted by the body of the convention.

I was in opposition to the powers that be in the organization at that time. I want to state here now that our by-laws required that resolutions offered by the resolutions committee should first be approved by the executive committee before they could get on the floor of the convention, and then had to be passed upon by the convention. The plan of our organization was followed in 1919 by the presentation of certain resolutions, first by the committee on resolutions, and then by approval of the executive committee, and then by passage on the floor of the convention. [Reading:]

I call your attention to resolutions Nos. 2, 4, and 7, which express the attitude of mind of the majority of the convention and set forth the activities they expected of the market committee.

I returned to Washington immediately from Salt Lake City, where, with the exception of last November and December and two other brief intervals when I made hurried trips to my ranch, I have stayed. Mr. Burke and Mr. Heard reached Washington about the middle of February. There were material differences of opinion as to our line of action upon association matters upon which we were called to act. I favored the immediate calling of the executive committee; they opposed. Since then there has been no concert of action between myself and other members of the market committee.

When you enlarged the duties of your market committee, at the last annual meeting, you increased its membership by two, Mr. Henry C. Wallace and Mr. Dwight B. Heard. Mr. Wallace's robust Americanism, as evidenced by the editorials of Wallace's Farmer, and his statements before conferences and legislative committees have been of service not only to the live-stock interests but to the people of our Nation. With work that requires knowledge, judgment, loyalty, and courage, my opinion is that it is a mistake to burden Mr. Heard. My interpretation of the spirit of the resolutions referred to above is that patriotism does not imply abject yielding to injustice. I saw a great wrong being perpetrated upon my people. Publicity was the only means at hand. Cooperating with other agencies, the hearings before the Committee on Agriculture of the Senate were brought about.

That is, the hearings in the spring of 1918. [Continuing reading:]

These hearings were practically continuous through March. The expose of the packers and Food Administration combine to hold prices of finished cattle below cost of production was so complete that those agencies deemed it advisable to permit these grades of cattle to advance to a point that would return cost plus a reasonable profit.

Mr. WILSON (in the chair). How was that? Read that again, please.

Mr. LASATER (reading):

These hearings were practically continuous throughout March. The expose of the packers and Food Administration combine to hold prices of finished cattle

below cost of production was so complete that those agencies deemed it advisable to permit these grades of cattle to advance to a point that would return cost plus a reasonable profit.

Mr. VEEDER. Mr. Lasater, was not the date of those hearings the spring of 1919?

Mr. LASATER. Yes, sir; 1919.

Mr. VEEDER. You said 1918.

Mr. LASATER. I appreciate your correction; I should have said the spring of 1919; yes, sir. No; wait a minute; you are wrong. They commenced in March, 1918.

Mr. TINCHER. There were no hearings before any committee of the Senate in the spring of 1919, were there?

Mr. LASATER. No; 1918 was correct.

Mr. VEEDER. January, 1919, was the beginning date of the hearings before the Committee on Interstate and Foreign Commerce in the House of Representatives.

Mr. LASATER. You are discussing other hearings; those started by the Committee on Agriculture and Forestry of the Senate, to show up conditions as to the marketing of cattle at that time.

Mr. VEEDER. All right.

Mr. LASATER (reading):

I think it safe to conclude that if this expose had not been made the markets would not have advanced. The pressure brought to bear on the Food Administration by the conditions made public saved millions of dollars to the live-stock producers of the Nation and prevented bankruptcy to many members of our organization. I thought that effective work could be done to prevent the sacrifice of stocker and feeder cattle during the coming summer and fall. I had convinced myself this would be the plan of the Food Administration so as to enable the corn-belt feeders to recoup the losses of 1917–18. I failed to command any assistance from the live-stock interests, so did not start a campaign for this purpose. I was not in a position to give the time and additional financial outlay for a successful campaign. My time has been occupied working up interest in packer-control legislation with farmer and dairy organizations, labor organizations, and consumers' leagues.

The market committee met in Chicago September 16 to consider the report of the Federal Trade Commission. They then issued a statement indorsing its report. I attempted to have a meeting of the market committee called immediately after the report was made public, August 3. Between the date of making public the report and the meeting of the market committee the agencies with which I have been cooperating secured the indorsement of the report by farm organizations of more than 1,000,000 voting strength. It takes votes to put punch into a demand for legislation here.

Some of us realized that four years ago and we started out to get them. [Continuing reading:]

My outlay in cash in this work has been $8,017.40, less about $600 refunded by Mr. Tomlinson. Exact amount can be obtained from his records. I inclose vouchers and memoranda. Had I at the incipiency of my work here realized that the market committee did not intend to equip itself to carry out the instructions of the convention I would have assumed the responsibility of an additional $2,000 or $2,500 so as to have had a capable office assistant. This would have enabled me to have had for the use of the association valuable data tabulated in such a way that it could be used.

I wish to express the opinion that as long as you are content to represent the live-stock interests by occasionally appearing before some legislative committee in advocacy of measures desired and then vanish from Washington nothing will be accomplished for the interests of our people. It takes continuity of effort to accomplish anything here. Both the packer and the labor organizations furnish you an example of how to do it in this matter.

Hoping that the American National Live Stock Association may become a national live-stock organization in fact, I hand you herewith my resignation from the market committee. May you have loyal, intelligent service from those you delegate to handle your affairs for the coming year.

Yours, very truly,

ED. C. LASATER.

Mr. RAINEY. What was the date of that letter?

Mr. LASATER. January 16, 1919.

Gentlemen of the committee, if you will notice, Mr. Pryor in his testimony handled the efforts of the live-stock organization from the time of the El Paso convention practically up to the present. I will not take up your time to again cover that ground. But I wish to mention one fact here that Mr. Pryor did not bring out, and I mention it so that this committee may ask the Federal Trade Commission to present to it the correspondence that shows the incident I am now going to relate. I have not that correspondence with me. Mr. A. E. de Ricqles, of Denver, Colo., was a member of the first market committee appointed. At that time Mr. de Ricqles seemed to be in full accord with the sentiment of the organization—the American National Live Stock Association and the marketing committee thereof—as to what we desired to bring about.

Mr. COLLINS of Colorado. He was the active secretary of the market committee?

Mr. LASATER. Yes; he was.

Mr. WILSON (in the chair). You may continue your statement, Mr. Lasater.

Mr. LASATER By the time of this meeting of which I have given you the result, that occurred December 7, 1917, in Chicago, Mr. de Ricqles had changed his opinions, much to the surprise of all of us. Of course, at that time we could give no explanation of such a decided change. As to Mr. de Ricqles, one of his business enterprises is the handling of a large loan company. The Federal Trade Commission read into a record at some of their hearings, and I do not recall but I will ask the chairman to ask them to furnish them, letters from the packers showing that both Mr. Armour, and my recollection is Mr. Louis D. Swift, had interested themselves in widening the market for the paper of Mr. de Ricqles loan company. Since that time Mr. de Ricqles has not been in sympathy with the packer industry.

Mr. RAINEY. You testified to that in the hearing held before the Committee on Interstate and Foreign Commerce of the House, didn't you, Mr. Lasater?

Mr. LASATER. I do not recall whether that is in the record that you have there or not.

Mr. RAINEY. On page 1435.

Mr. LASATER. If the correspondence is there I will read it into the record now, if you will let me have it.

Mr. RAINEY. I do not see any correspondence here.

Mr. LASATER. Then, I will ask this committee to make request to the Federal Trade Commission for that correspondence.

Mr. WILSON (in the chair). If it is in the record we can get it.

Mr. LASATER. I do not think it is in the record. It was read out at some of their hearings, I know that, some of the hearings of the

Federal Trade Commission, and I know that that correspondence can be furnished. If the committee does not care to ask the Federal Trade Commission for it I will make it my business to get that correspondence with your permission.

Mr. TINCHER. It would not be of much value to the committee to know why Mr. de Ricqles changed his opinion.

Mr. LASATER. I thought it might be advisable to know under the circumstances. When you understand the influence that the packers have, I think it is one of the most dangerous features of this whole situation, the influence that the packers have directly upon the financing of the country.

Mr. TINCHER. I understand your viewpoint, but the 1919 action of the American National Live Stock Association would probably not influence the committee very much, in view of the fact that the 1920 meetings are adopting resolutions which show their attitude at the present time toward the legislation proposed.

Mr. LASATER. I understand; but one reason why I read into this record this letter is that it showed the position of the various agencies that from time to time have appeared before committees in connection with investigation and legislation by the Government. I would like to show you gentlemen these things and then let the committee draw its own conclusions why there should be such a marked difference of opinion between some of us who think this is absolutely essential if the country is to receive any correction of the evils that we now complain of, and that of some others.

Mr. TINCHER. Let me ask you right there: Isn't it true that the attitude of the associations in 1919 was pretty generally that they should have a cooperating committee with the packers, and that they thought they could cure the evils in that way to better advantage, but that there has been a complete change of view on the part of the American National Live Stock Association and other associations since they tried out such cooperation?

Mr. LASATER. No, sir; I would like to impress this matter upon this committee as strongly as I may be able to, that the Texas Cattle Raisers' Association have never adopted that view of the situation.

Mr. TINCHER. I understand that.

Mr. LASATER. Our view from the start has been to get results on investigation and enacted legislation. At the incipiency of the movement in 1910 and 1911 we did try to get up a coopeative movement. But that was when we were young and inexperienced as to the packers.

I want to say here that my connection with the live-stock industry is about contemporaneous with that of Mr. Ogden Armour, Mr. Louis Swift, and Mr. Thomas Wilson. They had been on the buying end while I had been on the producing and sales end. In years gone by the idea of Mr. Nelson Morris, the old gentleman, and, I think, of Mr. P. D. Armour and of the elder Swifts was to keep in touch with producers. They were rather democratic in their actions; they would make trips south through San Antonio and frequently would come around to the cattlemen's exchange. On the other hand, up to the commencement of this agitation, I have never met Mr. Louis Swift, or any of the Swifts; Mr. Thomas E. Wilson; Mr. Edward Morris, the son of Mr. Nelson Morris; or Mr. J. Ogden Armour. I

have never head of any of these gentlemen participating in any meetings with the cattle producers until after our Chicago meeting of 1915.

Now, gentlemen of the committee, I think this is a good place for me—as good a place as any other place—to get this into the record: I will show you what agencies I have been connected with and what we have spent in our efforts to get publicity, with the view, first, to bring about an investigation, and secondly, to get publicity on the legislation required to meet the situation shown up. I have shown you that Mr. Morris, Mr. Wilson, and Mr. Swift have been entirely familiar from the incipiency of this movement with the actual state of our finances. They have been in touch with members of our organization that were on the inside and knew our difficulties. Mr. Morris, in his statement made before this committee, alluded to by Col. Pryor, I think fixed the expenditures at $150,000 per year. I will state that at El Paso we started out with a fairly comprehensive knowledge of what would be necessary, first, to get an investigation, and then to enact legislation. And we financed ourselves reasonably well for that undertaking.

Now, gentlemen of the committee, a year goes by and we meet at Cheyenne. I was put on the market committee at Cheyenne; I had agreed to undertake the work at a meeting we had in Texas some months previous to that time with the executive committee of the Texas Cattle Raisers' Association. But when I undertook to serve on the committee I had no idea that there would be any change in our scheme for financing the work of the market committee. At Cheyenne the scheme was absolutely changed and the pittance left to us was insufficient to accomplish anything. That change was opposed——

Mr. YOUNG (interposing). When was the Cheyenne meeting?

Mr. LASATER. That was in 1917.

Mr. YOUNG. All right; go ahead.

Mr. LASATER. That change was opposed by Mr. Burke, Gov. Stubbs and myself. It was advocated by Mr. Jastro and Senator Kendrick. There was, of course, but a small representation present from the corn-belt States—we will say from Kansas, Nebraska, and Texas—but the representation at that convention was largely from the west, and they outvoted us. After the fight was made on that matter and we lost, Gov. Stubbs said to me: "Lasater, they do not want to do anything." I tried to take a more optimistic and hopeful view of the situation. In the fall of 1917 Gov. Stubbs attended several meetings in Washington, but since then I have not met him. He never participated in any of the work of the market committee; he said it was hopeless and we did not have his assistance after that.

Now, gentlemen of the committee, Mr. Pryor mentioned the meeting at Salt Lake City. I had been asked by the Food Administration the previous fall—well, it was in July before the creation of the Food Administration—I was asked by Mr. Hoover to take the position of livestock adviser with the Food Administration. I accepted that position; and I resigned from that position in November. I first made out my resignation to Mr. Hoover about October 20, according to my recollection, and my resignation was in written form, and it stated, in effect, this: "I resign because I think the

policies of the Food Administration are harmful to the common welfare."

Mr. WILSON (in the chair). Welfare of whom?

Mr. LASATER. Harmful to the common welfare, and that means the whole people.

Mr. WILSON. I did not know but what you meant the cattle raisers.

Mr. LASATER. No; the cattle raisers are only part of the people, and the words "common welfare" would mean all of the people.

Mr. WILSON. All right; go ahead.

Mr. LASATER. Mr. Hoover's reply was, in effect: I do not believe I deserve it. I told him if he would permit I would give him my reasons for thinking so. He suggested that I proceed to do so, and I proceeded. After quite a discussion I asked Mr. Hoover if he intended to intimate that he desired me to withdraw my resignation. He said he did, and would appreciate my doing so; that he thought I had been and would continue to be of benefit to the Food Administration. I did withdraw it. I made the explanation to Mr. Hoover that I had planned to go to a certain national dairy congress which would convene the following Monday at Columbus, Ohio, and from there to my ranch, and it would take about two weeks, and that I would like to carry out that plan. He said that was entirely agreeable and that I might do so.

So, gentlemen of the committee, I went, returning about the 4th or 5th of November. In a very few days I realized that Mr. Hoover was simply playing for time. I made up my mind that I could not be of any real service; that in my position with the Food Administration I would only be used as a screen to convince the producers of cattle in the country that they were being represented, and I was not in favor of lending myself to that position.

Prior to my resignation Mr. Gifford Pinchot, who had been my colleague in the live-stock department, resigned. Mr. Pinchot especially resigned to bring about an understanding as between the Food Administration and the hog producers of the country in regard to a ratio between hogs and corn; and he was successful. I realized that as far as the meat industry was concerned I could not be of benefit to the country; I realized after I got back to Washington that the feed situation was in a most acute stage, and that a proper settlement of the matter was of very great importance, especially to the dairy interests of the country. I thought I might be of some service in that matter.

Mr. WILSON (in the chair). Before you leave that I wonder if it would not be a good idea for you to give the reasons for your resignation? What was the cause, if there was any dispute as to policies between you and Mr. Hoover?

Mr. LASATER. If you will permit I think that will all develop as we go along.

Mr. WILSON. All right.

Mr. LASATER. I will try to develop that before I get away from my subject.

Mr. RAINEY. All this testimony is in part 5; is it not?

Mr. LASATER. No, sir. A part of it is in there, but it is not in there in this shape.

Mr. WILSON (in the chair). You may proceed.

Mr. LASATER. Some of our friends here have objected to any new matter being put into this record. I would like to ask——

Mr. RAINEY (interposing). Is there any objection to new matter being introduced into the record, Mr. Chairman?

Mr. LASATER. No; you said no new matter was to be introduced.

Mr. RAINEY. Oh, no. As far as I am concerned I wish to repeat I am willing for you to introduce anything that was heard before as well as any new matter.

Mr. WILSON (in the chair). That would not be a good thing—to introduce a lot of old matter, but there is no objection to your introducing new matter.

Mr. LASATER. All right.

Gentlemen of the committee, here is an investigation by a commission appointed by the governor of New York, the commissioner being Mr. George Gordon Battle, of the department of farms and markets. That investigation was conducted under this authority. [Reading:]

STATE OF NEW YORK, *Executive Chamber, ss:*

To all to whom these presents shall come, greeting: Know ye that, pursuant to section 8 of the executive law, and in accordance with the suggestion as contained in the report of the commissioners heretofore appointed by me for the purpose of investigating the matter of the high cost of living, I hereby appoint George Gordon Battle, of the city of New York, as a commissioner to examine and investigate all matters with reference to the management and affairs of the council of farms and markets, and all related departments and bureaus.

The said George Gordon Battle is hereby empowered to subpœna and enforce the attention of witnesses, to administer oaths, to examine witnesses under oath, and to require the production of any books or papers deemed relevant or material.

And I hereby give and grant unto the said George Gordon Battle all and singular the powers and authorities which may be given or granted unto a person appointed by me for such purpose under the authority of the statute aforesaid.

In witness whereof I have hereunto subscribed my name to these presents and caused the privy seal of the State to be affixed thereto, at the capitol, in the city of Albany, the 25th day of August, in the year of our Lord 1919.

ALFRED E. SMITH,
By the Governor.
[SEAL.] GEORGE R. VAN NAMEE,
Secretary to the Governor.

Now, gentlemen of the committee, I ask your permission to read from page 40 only a short part of this report.

Mr. WILSON (in the chair). What does it pertain to—high cost of living?

Mr. LASATER. No; I am harking back to the program for commencing investigation, legislation, etc. This is a part of it.

Mr. TINCHER. That appointment was made by the governor of New York?

Mr. LASATER. Yes, sir. The Federal Trade Commission is in no way responsible for this. [Reading:]

OLEOMARGARINE.

It appears from the testimony of Mr. Flanders and others that under the existing laws of this State it is practically impossible to prevent the fraudulent passing off of oleomargarine for butter. It is true that where oleomargarine

is sold in retail or wholesale stores, the law prescribes that it must be sold as such and in original packages bearing a clear designation of the fact that the product sold is oleomargarine and not butter. But owing to the construction placed upon the law as it now exists, hotels, restaurants, and other distributors of food may place oleomargarine, disguised as butter, before their customers with practical immunity. This situation arises because the laws relating to oleomargarine appear to prohibit merely the use of "artificial coloring" to give the product the semblance of butter.

The manufacturers of oleomargarine, who are to a great extent controlled by the great meat-packing firms known as the Big Five, have managed to evade the law by skillful use, in the manufacture of the product, of kidney fat from animals where this fat, through the age or nature of the animal, is of a yellow tinge This results in the oleomargarine, which is basically a mixture of such fats with cottonseed oil, having instead of its natural dead white color the appearance of light yellow butter. In consistency, odor, and appearance the oleomargarine thus presents to the consumer the aspect of a light creamery butter, and is undoubtedly consumed in this State in large quantities by persons who are paying for what they believe to be a high grade of butter. Only an expert by making the necessary tests could detect the difference.

It is said in the dairy industry that the nutritive value of oleomargarine in no way compares with that of butter. The real dairy product is said to contain elements essential to the human system which are not present in oleomargarine. Of course, oleomargarine is not nearly as expensive to produce as good butter.

The insidious forms of fraud that grow out of this fact should be corrected, and it appears as though that would be a simple matter to do. The courts have held, as Mr. Flanders explained, that in view of the fact that the manufacturer was not shown to have made a "conscious selection" of coloring materials in order to produce an imitation of butter but had used a material having a natural yellow tinge the law was not violated. Mr. Flanders related at some length the history of the manner in which the present law came to be written as it is. (See his testimony at p. 2050, et seq.)

Without going into the details of his testimony, it is substantially this: That some years ago one Henry Veeder, a Chicago attorney, said to represent the large packing interests of Armour, Swift & Co., Morris & Co., Wilson & Co., and Cudahy & Co.—the fact of his being such counsel is shown in the report of the Federal Trade Commission, Exhibit 59—was introduced to Mr. Flanders in the legal bureau of the department of agriculture by the then commissioner of agriculture, Mr. Raymond S. Pearson, at the instance of the then speaker of the assembly, Mr. James W. Wadsworth, now a United States Senator for the State of New York. Mr. Wadsworth, according to Mr. Flanders's testimony, showed then, and has shown since, considerable interest in the affairs of the Chicago meat packers.

Mr. Flanders testified that the law relating to the manufacture and sale of oleomargarine, as it now stands, was determined upon at a consultation in his office between himself, Mr. Wadsworth, Mr. Veeder, and other persons. Mr. Wadsworth, according to Mr. Flanders, expressed a desire to have the law so framed that it would not prohibit the sale of oleomargarine as such in this State, and Mr. Flanders undertook to prepare a law that would agree with Mr. Wadsworth's expressed desires.

The result was a law which, owing to its wording, permits the sale of oleomargarine that is a perfect imitation of butter, and though the laws ostensibly prevent its sale as butter, the result is that oleomargarine in the semblance of butter is freely sold throughout the State, and, as stated before, can be found on the tables of restaurants and hotels, where it is accepted by the deluded consumer as a fine quality of butter.

This oleomargarine situation is typical of the conditions that surround the enforcement of many of our laws relating to food, and it is the knowledge that such conditions can exist with the entire connivance or helplessness of the officials charged with the enforcement of the pure-food laws that has brought the department of agriculture of this State, and now the department of farms and markets, into disrepute. It is also typical of the lack of interest shown by the members of the council and the commissioners under them, who are specifically intrusted with the duty of recommending legislation to correct the perpetuation of such frauds upon the public, that none of them has paid the slightest attention to this matter.

Mr. WILSON (in the chair). Now, Mr. Lasater, it is 12 o'clock, and no doubt you are quite weary from your long appearance on the stand, and I think it would be a good place for the committee to recess. Therefore the committee will recess until 2 o'clock.

(Whereupon, at 12 o'clock noon, the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m., Mr. Sydney Anderson presiding.

Mr. ANDERSON. You may proceed, Mr. Lasater.

STATEMENT OF MR. E. C. LASATER, OF FALFURRIAS, TEX.—Resumed.

Mr. LASATER. Mr. Anderson, I am going to ask the committee to permit me to finish before questioning. I think it will economize the time of the committee and finish this up so much quicker. It is not because I care to elude any questions. I am perfectly willing for the committee to take all the time they care to, but I believe we will save time if we enforce the rule of the committee.

I want to refer back briefly to a subject I mentioned this morning, when some questions threw me off for the moment. I spoke about a meeting of the American National Live Stock Association at Salt Lake City, Utah. That was in January, 1918. I said that I had resigned from the Food Administration the November previous. That was the first meeting of the live stock interests after the creation of the Food Administration and after my resignation. When I left Washington I took with me certain printed statements gotten out by me in regard to the conduct of the Food Adminstration. When I reached Salt Lake City, I discussed them with the members of the markets committee, who, at that time, were present. They were Mr. Jastro and Mr. Burk. My recollection is that Gov. Carey was not there the first day of the convention; at least, I did not meet him and did not discuss these matters with him. Gov. Stubbs I do not think was there.

In deciding upon the policy of the market committee, Mr. Burk expressed the idea that the market committee could not afford to make public these facts, and that I personally could not afford to make public the facts, his statement being that they would eat me up. You may all recall that the Food Administration had something of a publicity bureau at that time.

In discussing the matter with Mr. Jastro, he stated he thought the facts ought to be given to the personnel of our convention, the live-stock producers, but that he did not think the market committee could afford to do it; that he thought it was my duty to personally do it. I told Mr. Jastro that I would act on his suggestion. I did.

Now, gentlemen, any of you who know of the situation at that time, know that the five members of this market committee were all the representation that the producers of this country had on what you might term, "the firing line." They were relying upon this market committee to keep in touch with the situation and give them some publicity as to the facts of the situation.

Now, that created a division in the forces of the market committee, also the executive committee, and throughout the membership.

After discussing the matter with a number present, we decided on a plan that was embodied in certain resolutions that were afterwards adopted in contradistinction to the plan supported by our president.

I want to state that on the first day of this committee hearing what then decided me that it would be necessary for me to make this statement in regard to live-stock associations and packer influence was a statement read into the hearings by our member from Chicago, made by one Dr. J. M. Wilson, of Wyoming. Now, both Mr. O'Donel and Mr. Carey are here, who were at that time in attendance on this convention, and members both of the resolutions committee and the executive committee. My recollection is that Mr. Carey was one of a subcommittee of three appointed by the resolutions committee that drafted the resolutions that finally became the will of the convention. The other two members of that committee were this same Dr. Wilson and myself.

Now, since then Dr. Wilson has experienced a change of mind. We found him here last January a year ago talking for the packers. We found him here again in November before the Senate committee making a strong talk indorsing the packers. After realizing that and knowing that Mr. Rainey could find here and there various men prominent in live-stock circles who would adopt the packers' view of things, I decided that the only thing that would give this committee a true perspective of the situation was simply a relation of conditions that have taken place from the incipiency of the movement down to now.

On leaving Salt Lake City I came back to Washington, stopping a day in Chicago. From Chicago I wired Mr. Jastro, who had gone on to California, stating that in the event he did not find it possible for himself to give more time to the work of the market committee that I would appreciate it if he would recommend Mr. Burke as our chairman. Mr. Jastro had been the chairman since the creation of the market committee. Mr. Jastro wired back, stating, "I admit I have not been able to give the time I should to the work of the market committee but I expect in the coming year to give all the time necessary."

I went from Chicago to Des Moines, Iowa, to interview Mr. Wallace, who had been appointed as one of the new members. I knew of Mr. Wallace and I was very anxious to get him to accept the appointment. I spent a day with Mr. Wallace and he agreed to accept the appointment.

I came direct from Des Moines to Washington. In a few days after reaching Washington I was joined here by Mr. Heard, Mr. Burke, Mr. Tomlinson, and Mr. Fisher. We had been instructed to do certain things by the convention. In the meantime, before this took place, certain correspondence between Mr. Tomlinson and the packers had been made public through the hearings of the Federal Trade Commission. There was a difference between the members of the market committee present as to what should be done. I favored a calling of the executive committee. Both Mr. Heard and Mr. Burke, joined by Mr. Fisher, thought it unwise. Finally I adopted their views in the matter. After we finished doing certain work,

calling upon the Secretary of Agriculture and the President, presenting certain memorials to the Secretary of Agriculture and the President, we got down to the instructions of establishing an office here in Washington to represent the live-stock interests. Mr. Burke made the statement that he did not think that that was advisable since these letters had come out on Tomlinson. I took the position with Mr. Burke that if that was his opinion he should have sided with me in calling together the executive committee and having them decide on the situation. He differed, but he stuck to his guns that he would not have anything to do with the handling of the office here in Washington, as instructed by the convention.

I did not succeed in getting Mr. Jastro here until the following July. In July both Mr. Jastro and Mr. Pryor, who was at that time president of the association, and Mr. Jastro chairman of the market committee, made a visit to Washington. I went into the matter of the instructions to the market committee by the convention. Mr. Jastro's reply was, "Yes; but they gave us no money to do the work on." I referred to the action of the convention at Cheyenne which had deprived the market committee of the finances that we had agreed to raise at our first meeting at El Paso when the market committee was organized, and upon the statement of Mr. Jastro to myself and others that he deemed it wise at that time to change the plan because there was some dissatisfaction, and he though that if the collecting of this money was deferred a while we would probably be able to have more harmony. He assured us that when money was needed it would be forthcoming. I reminded Mr. Jasto of this statement——

Mr. WILSON (interposing). Mr. Lasater——

Mr. LASATER. What is it, Mr. Wilson?

Mr. WILSON. I personally have no objection to going into all these matters and it does not make any difference to me personally——

Mr. LASATER (interposing). I will finish in a much shorter time than you can discuss it.

Mr. WILSON. All right.

Mr. LASATER. But when you have the record, Mr. Wilson, I want to have it put in such shape that you can not question the facts.

Mr. WILSON. That will be all right. Go on with your story.

Mr. LASATER. I am about at the end of the story. I recommended to Mr. Jastro that he, myself, and Pryor finance this movement until our next convention and that I was sure the convention would take over the financing of what they had instructed us to do. Mr. Jastro did not feel disposed, so that the market committee made no attempt to carry out the instructions of the convention which was held in Salt Lake City in 1918.

The work that has been done along those lines has been done by myself in cooperation with other agencies, other organizations of the farmers of the country.

Now, I deem this pertinent to the question, so that you gentlemen may understand some of the things that have been presented and may be presented in the future. I have nothing more to say on that, Mr. Wilson, unless you desire to ask questions later.

Now, I am still discussing "packer plan for influencing legislation."

You may recall that the Chamber of Commerce of the United States came out in quite an assault upon the report of the Federal Trade Commission. When they were making their statement before the Senate Committee on Agriculture, I happened to be present and heard Mr. Butler and Mr. Wheeler testify. I made this request to the Senate committee:

I would like to state to this committee that the campaign of publicity that has been going on the press of the country, conduced by the packers, did not originate at the time this Heney investigation commenced, but practically was contemporaneous with the agitation to bring this investigation about. That was about two and one-half years ago.

Now, Mr. Butler made the statement here in regard to the effect of one of the advertisements of Swift & Co. upon himself; it was an advertisement where Mr. Swift praises the managers of his sales agencies throughout the country.

I would like to submit to the committee, with its permission, some indictments showing convictions of Swift & Co.'s branch agencies, situated in New York City, for selling unsound, unwholesome food to the public. May I have your permission to file such facts here in this connection?

Senator NORRIS. Yes; you may file them.

The material referred to was subsequently submitted by Mr. Lasater, and is here printed in full, as follows:

"In regard to the charge made by the Federal Trade Commission that the packers have sold meat and other foodstuffs unfit for human consumption, and the denial of such charge by Mr. Rush C. Butler in his testimony, there is filed herewith an affidavit by Alfred W. McCann, of New York, showing various pleas of guilty on the part of the packers, and convictions also where they contested the charge, showing that the Federal Trade Commission was fully justified in the charge made in its report."

Now, gentlemen, I am going to ask permission to file with you this sworn affidavit of McCann. I will not take up your time to read it, but I will just read a few of the things he mentions, and with your permission I will file the entire affidavit.

Mr. ANDERSON. Without objection, it is so ordered.

Mr. LASATER. On page 77 of this affidavit occurs this statement:

Swift & Co. were not molested, and the United States Bureau of Animal Industry did not discipline either of the two Federal inspectors who, in the interest of Sulzberger & Sons Co., had permitted a Federal-inspected establishment to be debauched in this manner.

On page 80 I would ask your permission to read this excerpt, and I am filing the whole affidavit.

Mr. MCKINLEY. Mr. Chairman, is this all going to be taken down and printed again?

Mr. ANDERSON. I asked if there was any objection.

Mr. WILSON. I think the committee has been very liberal in allowing Mr. Lasater to file almost anything he cares to and to say almost anything he wishes to say up to this time, but I was in hopes that he would not make the record so large and voluminous by inserting things that have been in the record heretofore, so that it would be almost impossible to go through it, and I think it would be very wise not to cumber up the record too much.

Mr. RAINEY. I do not think it would be right to discontinue putting in the record things that have appeared heretofore, because that has been the practice since the hearing commenced, and if forbidden it will prevent opponents of the legislation from putting in what they desire. I am in favor of it all going in and the same courtesies being granted the other side.

Mr. ANDERSON. There has been very little material put in the record so far, I think, except original testimony of witnesses.

Mr. WILSON. Mr. Chairman, there have been pages of it, but there has not been any objection to any of it so far, and I do not suppose it is wise to make objection now.

Mr. LASATER. It will not take very long.

Mr. WILSON. He is nearly through anyway, I judge.

Mr. ANDERSON. How much more of that matter have you, Mr. Lasater?

Mr. LASATER. It looks to me like this would be pertinent. Mr. Meeker led the committee—no, not Meeker——

Mr. VOIGT. Let me interrupt a moment. I do not propose, so far as I am concerned, as a member of this committee, to have a lot of duplicate matter put in the hearing. If you have 30 or 40 pages of stuff there from some other report, I see no reason why that should be reincorporated in these hearings. It will simply encumber the record and increase the printing bill.

Mr. LASATER. That is true, but that is——

Mr. VOIGT (continuing). If there is anything you want to call the attention of the committee to, I would suggest that you state what you desire this committee to refer to, and in that way we can refer to the other records.

Mr. LASATER. I will be very glad to handle it in that way, but one reason that made me offer to file the entire thing was the charge of the packers that the Federal Trade Commission had only printed excerpts and letters that created an entirely different impression from what the entire correspondence would have created, and what I am offering here, gentlemen, is testimony made under oath.

Mr. MCKINLEY. Are you defending the Federal Trade Commission?

Mr. LASATER. Am I defending them?

Mr. MCKINLEY. Is that what you are putting it in for, to defend the Federal Trade Commission?

Mr. LASATER. I am putting it in here so that the country may know the Federal Trade Commission had facts to base their report on. Here is a branch of the Government attacked by the packers as no other branch of the Government was ever attacked, and I think it is the part of every decent citizen when they know any facts that will justify the report of the Federal Trade Commission to make them known to the country. These particular facts that I wished placed in the record were not made public by the commission and may not have been known to them.

Mr. ANDERSON. Mr. Lasater, that has been in dispute from the very beginning.

Mr. LASATER. Yes, sir.

Mr. ANDERSON. That has been true, I think, at every hearing that has been held. The Federal Trade Commission has put in everything it wanted to put in in its own defense, and the packers have put in everything they wanted. I do not think that anything will be gained by going over that matter again. Every member of this committee has some opinion now, I think, as to whether the commission's report is to be believed or whether it is not, and we will not

make anything by going into that matter and extending the hearing by an attempt to either support or defend the commission.

Mr. LASATER. Do you want this in the record unread or any part of it in the record?

Mr. VOIGT. Let me make a suggestion. You have certain pages there, I take it, from the Senate hearings.

Mr. LASATER. Yes, sir.

Mr. VOIGT. Suppose you go on and say that you desire the committee to consider particularly pages so-and-so of the Senate hearings. We have those hearings, and there is no use of reprinting all that matter.

Mr. LASATER. Adopting your suggestion, I will state that I desire the committee to especially consider page 80 of the Senate hearings.

Mr. RAINEY. I think, Mr. Voigt, it ill-advised to adopt this rule now because previous witnesses have encumbered our record with the same matter that appeared in the record of the Committee on Interstate and Foreign Commerce, and at this late hour to enforce the rule would probably preclude the opponents of this legislation from introducing matter that controverts testimony that has been introduced by those favoring it.

Mr. VOIGT. So far as I am concerned, I do not propose to have either men who are favorable to any proposed legislation or who are against it come in here and offer page after page of a hearing which is already in print and make it a part of this record. It looks to me to be useless.

Mr. RAINEY. That is true, but it has already been done.

Mr. VOIGT. I do not think it is too late now to call a halt on that.

Mr. TINCHER. Most of it that has been done was done by Mr. Rainey reading in part of cross-examinations.

Mr. RAINEY. No; I think it was prompted by Mr. Tincher.

Mr. TINCHER. No; I have not a thing in the record.

Mr. LASATER. As I understand it, Mr. Chairman, I am supposed just to call your attention to certain pages in this affidavit.

Mr. ANDERSON. Those that you would like to have us consider.

Mr. LASATER. That is the ruling. This is found in the hearings on Senate resolution No. 221, from page 75 to page 82. I would like the attention of the committee especially called to page 80 and also to page 82.

Now, Mr. Chairman, I have stated that it could be shown that there was a combination between the Food Administration and the packer that was to the disadvantage of not only the producers of the country but the consumers of the country.

To establish that fact, it will be necessary for me to use some records that have been used heretofore, and I know of no other way that that could be established. It would seem to me that the gravity of the charge is sufficient to enable me to confirm it or to entirely discredit myself.

Mr. ANDERSON. Of course, the question is whether that is pertinent to this particular hearing. That is the only question, it seems to me, that could be raised about that.

Mr. WILSON. Is this for the purpose of criticising the present administration?

Mr. LASATER. No, sir; not for the purpose of criticizing, but the packers have gone to the country, sir, with an attempt to entirely

discredit the report made by the Federal Trade Commission. They have spent millions of dollars to accomplish that purpose. In saying "millions," I am not exaggerating.

Mr. WILSON. Do you mean the Federal Trade Commission has spent that?

Mr. LASATER. No; I mean the packers have spent millions of dollars to discredit the report of the Federal Trade Commission. I thought and I still think that it is pertinent to show these facts before this committee from which we are asking legislation to cure the evils that we now have. If the committee does not agree with me, of course that settles it.

Part of the charges made by the Federal Trade Commission I will read again:

To employ lobbyists and pay their unaudited expenses;
To influence legislative bodies;
To elect candidates who would wink at violations of law and defeat those pledged to fair enforcement;
To control tax officials and thereby evade just taxation;
To secure modifications of governmental rules and regulations by devious and improper methods;
To bias public opinion by the control of editorial policy through advertising, loans, and subsidies, and by the publication and distribution at large expense of false and misleading statements.

Mr. RAINEY. Following the suggestion of Mr. Voigt, did you read that into the record yesterday?

Mr. LASATER. Yes, sir; I am talking about that proposition right now. That is why I asked permission to introduce this. Of course, if the committee does not approve of it——

Mr. RAINEY (interposing). I have no objection whatsoever.

Mr. ANDERSON. Is the matter already in the record?

Mr. LASATER. If you care to hunt out the records and collect it and get it in shape.

Mr. TINCHER. I think where this witness has gone through these voluminous records and picked out quotations to support his statement that he ought to be permitted to place them in the record.

Mr. ANDERSON. Very well, you may proceed, Mr. Lasater.

Mr. LASATER. Mr. Fisher was before the Committee on Interstate and Foreign Commerce of the House testifying in the matter that is now before you. [Reading:]

The CHAIRMAN. Were you through discussing the license?

Mr. FISHER. I was through so far as undertaking to answer the Congressman's question in the very language of the license itself as to what the classification was, and then what the limitations of profits were.

The CHAIRMAN. I did not know whether you would want to continue reading from it.

Mr. FISHER. No; I think not at present, Mr. Chairman; thank you. This license was put into effect by the Food Administration, confessedly—I speak with full knowledge—as being a temporary expedient or beginning, going as far as the Food Administration then felt they were justified in going, but with the direct statement and intention of modifying it as experience showed might be desirable.

In the meantime the Food Administration attempted to build up a collateral organization among the producers. Mr. Hoover and Secretary Houston, of the Department of Agriculture, invited to Washington a large number of representative producers from all over the country, and out of it worked an advisory committee which was supposed to be in contact with the Food Administration from the producers' point of view, and to work with it and make suggestions and stand as a sort of guaranty or assurance to the producers

that their interests were being protected, or at least the attempt was being made to protect them in good faith.

When this license went into effect it was expressly understood—in fact, it was made a condition of this advisory committee of the producers taking any part in the matter at all—that they should have access to the reports to be made under this license, and an opportunity to examine the books of the packers, so as to see whether the reports were justified by the record, the purpose being and the limitation being that they were not to make public the details of what they ascertained by examination of these documents, but that they might be in a position to satisfy themselves, as the representatives of the producers, as to the facts in the operation of the license and that they would not be merely a false front put up to create the impression on the producer that his interests were being protected, when, as a matter of fact, they did not know whether they were being protected or not.

So it was expressly understood, by questions asked and answered categorically, that the producers were to have opportunity to examine the reports to be made and the books of the packers for the purpose of making suggestions to the Food Administration as to how it ought to be changed, if at all, and for the purpose of assuring the producers that the license was being carried out in good faith and effectively, so they could depend upon their interests being protected, at least, to that extent.

Now, there were to be reports made every so many weeks. I have forgotten whether that is in the license or in the regulations under the license, but it was about every 9 or 10 weeks, as I remember it.

Here it is in the license, section 10:

Profits by periods: Licensee shall close his books and determine his investment, sales, and profits at least as often as once in 10 weeks, and at least six times per year, and if licensee has heretofore closed his books at more frequent intervals he shall continue to do so; the interval between such closing time of the books shall be called an accounting period.

The ratio of profits to investment specified in section 3 need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee shall so conduct his business that the profits of the first half of the 12-month period ending on or about November 1 of each year shall not exceed the said limitation by more than one-third, and that the profit for the entire 12-month period ending at said date shall not exceed said limitation.

Perhaps you would like to have that explained. The packers have been in the habit of having a sort of trial balance or general closing of their books at these periods, so they could keep a kind of check on the business themselves. Some of them took shorter periods, and the Food Administration provided that they should continue that, recognizing the fact, which is a fact, that the packers, like everybody else, like any monopoly that ever existed in the world, I do not care how complete, are all under the general operations of the law of supply and demand. They can not slaughter more cattle than the supply, and they can not sell more than the people will buy; and that same limitation, as I have said, applies to every monopoly that ever existed, but it does not prevent a monopoly from playing underneath the law of supply and demand in making profits far beyond those that are economically justified, and in affecting production injuriously to a very serious degree.

Now, they said that, of course, in selling, especially fresh meats, they might find that in moving their products their profits for a 10-week period might be above the 9 per cent, let us say; and they were not to put an arbitrary of 9 per cent, because the next period it might be they bought meats in excess of the demand, and they might have a loss; in order to keep the stuff moving they might have to sacrifice it, so that in any one of these periods they were to come as near as they could, keeping within the general limitation. They were permitted to make as much as 12 per cent instead of 9 per cent in any 10-week period; but during the next period, or within every 6-month period, they must undertake to bring those excess profits down by making less than 9 per cent, and then within the whole calendar year they were to get within the 9 per cent and the 15 per cent provided for classes 1 and 2, respectively; an arrangement which I never was able to understand how it was going to work out practically, because I was never able to see how at the end of the 12-month period they were not going to be in the position of having an excess or a deficit carried over into the next year. It is an endless chain, as I see it; but it was said to be the best practicable device that could be worked out, and its defects were admitted, and the Food Administration went at its enforcement.

At the end of the first period the reports were made, and to the astonishment of everybody, we were informed that the books of the large packers showed the figures all in the red; they were not making any profit, or at least no profit up to the amount allowed under the license. The small packers were making profits, some of them in excess of the amount they were allowed, but the big packers were not making any.

We undertook to get copies of the reports for the first accounting period. We were told that the Food Administration was satisfied these reports needed investigation and preferred not to turn them over until it had an opportunity to inspect them.

This licensing provision went into effect November 1, 1917. We have not seen any reports for any period yet, and as far as I know no report for any period has ever been made public.

This is as far as I care to go with Mr. Fisher's testimony, but the entire testimony will be available for the committee.

The point that I wanted to make was that the Food Administration did create an advisory committee of live-stock producers, and when we agreed to act they agreed to do certain things, and they never kept faith with those understandings.

Mr. HULINGS. Would you consider that that would be proof of a corrupt understanding or arrangement between the packers and the Food Administration?

Mr. LASATER. No; I would not. Permit me to present this case and then you may draw your own conclusions. I will take pleasure in attempting to answer any questions that may be asked if you will just permit me to hand you what I have.

First, let me make this statement with your permission: Mr. Hoover instructed me to draw up a plan for live-stock production. I did so. That plan was adopted by Mr. Hoover and later adopted by the Department of Agriculture, and was sent out through the country in a communication signed by Mr. Hoover and the Secretary of Agriculture. In the same communication they invited certain named parties that were selected by Mr. Pinchot and myself, representing the Food Administration, and Mr. Rommel and Mr. Rawl, representing the Department of Agriculture. Now, I would not attempt to read that, but I should like, with your permission, to file it with the committee so that you can realize the basis that Mr. Fisher had for the statement he then made.

I should like to call your attention to paragraph 2 of section 8, and with your permission I should like to read that.

Mr. ANDERSON. Very well.

Mr. LASATER (reading):

2. Interests: No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills or accounts payable, or any other interest, for payments or accruals or dividends on any class of capital stock of licensee or for provisions for sinking funds, nor shall any such payments, accruals, or provisions be charged to operating expenses: *Provided*, That any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds the aggregate interest thereon.

My object in reading that is that you would see that regardless of what money cost them the provision gave them the difference between 5 per cent and 9 per cent to add to allowed profit of 9 per cent in class 1 and added to their limitation of 9, it meant 13 per cent in class 1 and in class 2 it meant 25 per cent. The amount of borrowed money used was about equal to capital owned.

I should like to mention a report of this committee that was created by the Secretary of Agriculture and Mr. Hoover. This report was made to Mr. Hoover. I should like to read certain recommendations that this committee made.

Mr. TINCHER. Does that pertain to the subject under discussion?

Mr. LASATER. Absolutely; it pertains to the subject under discussion.

Mr. WILSON. If this committee made that report, I do not know what it is, but why read it to us? Do you mean the department?

Mr. LASATER. They made the report direct to Mr. Hoover.

Mr. WILSON. The department did?

Mr. LASATER. This committee that Mr. Hoover created.

Mr. WILSON. Not this committee?

Mr. LASATER. No. My object in reading it is to show that Mr. Hoover was not inadvised as to the requirements that would be necessary to enforce any license which might be for the purpose of controlling the packers. That is all. I think it is pertinent to the subject under discussion.

Mr. LIGHTFOOT. Will the gentleman yield for a question?

Mr. LASATER. Yes, sir.

Mr. LIGHTFOOT. Just to keep the record straight, you spoke about this and the other matter which you have just read under which the packers would be able to make 13 per cent under class 1 under the rule that you read?

Mr. LASATER. Yes, sir.

Mr. LIGHTFOOT. Did you see the report which the Food Administration made to the President, showing what the packers actually made?

Mr. LASATER. I think I have that report here. I am going to ask you to permit me to refer to that report.

Mr. LIGHTFOOT. Does it not show that they made only 5.6 per cent?

Mr. LASATER. No, sir; I do not think so.

Mr. LIGHTFOOT. I just called it to your attention.

Mr. LASATER. I will be glad to go into that in a moment with you.

This report made by this committee was handed in by Mr. Wallace, who was acting as chairman of the committee. I will simply read one or two paragraphs from this report:

> For a system of accounting with the individual plants which will make it possible to determine their actual profits.
>
> A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand; the number, weight, the kinds of live stock slaughtered; the sales of meats and animal products; the prices paid for the live stock, and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

I call the attention of the committee to the fact that that was possible because the packers had been accustomed to get out just such reports and it was necessary to keep track of this business contemporaneously as the business was being transacted, if you have any idea what profit the packer was making on the basis of his purchases of live stock. That, of course, is what we were mainly interested in.

I want to read to this committee a recommendation by the economist of the Food Administration to Mr. Hoover, Dr. Pearl.

That the regulations to govern the conduct of the food producing, manufacturing, or distributing trade or industry shall not be drawn up by the representatives of such trade or industry.

That the amount or rate of the "fair profit" to be allowed each trade shall be determined by the Food Administration and not by the trade concerned or any representative of such trade.

That the determination of profit shall be stated in such clear, simple, and specific terms that, on the one hand, these profits can be plainly understood by the food producers of the country—the farmers—and the consumers, and on the other hand, will immediately appeal to all intelligent persons as really reasonable and fair profits.

After Dr. Pearl discussed this matter with me, I handed Mr. Hoover this recommendation:

In arriving at prices for all manufactured goods, wages must be one of the important items considered. In arriving at any wage scale, food costs will largely decide its sufficiency.

We have now the wheat and flour costs established by an act of Congress. Is it not desirable to correlate the price of all coarse grains to that of wheat?

Having established these bases, to correlate as nearly as may be possible all finished animals for slaughter and dairy products with the bases above established, and having arrived at these bases for the prices, you have the price for the main staples of the food supply established. Is not this the logical method to pursue in establishing prices so that the values of all commodities may be correlated in a fairly close degree, to the end that the net returns from operation may be established for the different producing and manufacturing industries on a basis of reasonable parity?

I will state that Mr. Hoover carried out that suggestion as far as hogs are concerned, but not on anything else.

Mr. WILSON. Did you discuss that with Mr. Hoover?

Mr. LASATER. Yes, sir.

Mr. WILSON. What did he say about it?

Mr. LASATER. I will come to that, if you will permit me. I will answer it. One of my discussions with Mr. Hoover was brought up with regard to the cost on dairy products. This commission was created by Mr. Hoover personally. They made their report. If you will remember in the fall of 1917 there was a good deal of unkind criticism of the milk producers of the country in the urban press. Mr. Hoover declined to make public this report, stating that it justified the prices asked for by the producers and that the public sentiment was in no condition to accept that situation. I took the position that the unkind criticism that the producers were subjected to by the urban press was going to result in untold injury to the country, and that if Mr. Hoover, whom the people had confidence in at that time, would make public the facts, showing that these prices were justified, that the producers were only seeking the preservation of their own families, that I thought this unkind criticism would be modified and that in the long run it would inure to the well-being of the whole people. He disagreed with me and decided to wait.

Later, he appointed other commissions as the situation grew more acute from day to day, and I think he had several commissions, one for the Boston territory, one for the New York territory, and one for the Chicago territory, and when the result came in it was practically the same thing. We had some of the producers' groups through the country indicted by local grand juries and threatened

with indictment by Federal grand juries later, and some of those indictments were tried and some were dismissed. In every instance they were acquitted.

Mr. Hoover sent both Mr. Pinchot and myself to the West in regard to the hog situation. That matter, I think, is pretty well understood by these committees, because that is one thing that has been discussed very thoroughly, and unless you insist, I will not make any attempt to develop it. I think there was an abundance of testimony in showing that the situation was well understood.

Mr. WILSON. I rather think that it is important for you to discuss that very point.

Mr. LASATER. If you will permit me, I will get to that.

I should like to put in a letter from Mr. Hoover to Mr. Creasy, which outlines the plan that the Food Administration had pursued in regard to the producers of the country, the farmers.

Mr. TINCHER. That letter is available in the report?

Mr. LASATER. Yes, sir. That shows in this connection that we did have from Mr. Hoover an agreed basis as to how we would treat the producers of the country and my object is to show that that basis was changed by Mr. Hoover.

Mr. WILSON. Can you give the reasons?

Mr. LASATER. No, sir.

Mr. WILSON. I did not know whether you had talked with him about it?

Mr. LASATER. I never had any satisfactory reasons given.

Mr. WILSON. Did he not give you his reasons?

Mr. LASATER. No; he gave no reasons.

Mr. TINCHER. What has that to do with this proposition? You have had the floor for a long time. There are 25 or 30 other gentlemen waiting to be heard. Unless it is pertinent to the question, I do not think you should go into it. Here are the packers, and if they consume the same length of time they would not have any trouble in running us into the next session of Congress. Unless it is very pertinent, I do not think that we should go into it.

Mr. WILSON. I do not think that the challenge of Mr. Hoover's methods and righteousness should be allowed to stand here without an explanation.

Mr. TINCHER. I think it is a matter outside of the hearing.

Mr. LASATER. I made the charge and I have the facts here. If the committee has not the time to take them up, the facts will keep. These are facts that will take care of themselves as time goes on.

Mr. ANDERSON. Of course, the committee, I suppose, will at least permit you to express your views?

Mr. LASATER. I take it the view is that the committee does not care to go into these matters at this time.

Mr. WILSON. Some of the members of the committee would like to go into the Hoover proposition as fully as you care to.

Mr. RAINEY. I think there is no member but who desires you to proceed at length in order that they may get all the facts.

Mr. TINCHER. There are some members of the committee who do not want any legislation and would like the hearings to last forever.

Mr. RAINEY. I wonder if that could be Mr. Tincher?

Mr. TINCHER. No; I am in favor of the legislation, so far as the hearings have gone.

Mr. LASATER. I will put aside my data in regard to Mr. Hoover, with one exception, an affidavit, which ought to go into the record for Mr. Wilson's benefit.

Mr. JACOWAY. You are making an argument here, and do you think in order to make your argument harmonious that you want to go into this thing, or do you think it is germane?

Mr. LASATER. I would much prefer to come to this committee and present strictly the economic side of this question. I think if you could put aside the great campaign the packers have made throughout the country to create prejudice against the Federal Trade Commission and in the packers' favor, I think that could be done. But I do not know whether by simply discussing the economic side of the question here that we can get effective legislation passed. I think economic efficiency requires a complete change in our methods of slaughter and distribution of live stock and products therefrom, and I think we can produce facts here that will show the absolute need for a change of our marketing system. I do not question that. And if this committee so rules, I will be glad to confine my remarks strictly to the economic side of the situation, the waste in our present system, the methods that I think necessary to overcome that waste.

Mr. WILSON. I think that Mr. Lasater has been giving some very valuable information to the committee so far, and that he ought to proceed along the lines he has been doing; as long as he has started that way, it would be unfortunate to chop him off in the middle of it, at this time and in this way.

Mr. LASATER. I have no desire to run this hearing into the next Congress.

Mr. WILSON. Of course you have not.

Mr. LASATER. Therefore, to make some of my remarks intelligible, I want to relate one more incident connected with the live-stock industry and the Food Administration.

Mr. VOIGT. Now, Mr. Lasater, before you go on with that, I suggest that if your testimony on this other incident is not complete that you will refer us to the additional pages that you intended to read.

Mr. LASATER. I would like you gentlemen to have the Creasy letter before you, which is found on page 1699, volume 5, Interstate and Foreign Commerce Committee report of hearing.

(The letter of Mr. Herbert Hoover addressed to W. T. Creasy, September 24, 1917, is here printed in full, as follows:)

SEPTEMBER 24, 1917.

W. T. CREASY,
Chairman Federal Board of Farm Organizations,
815 Woodward Building, Washington, D. C.

DEAR MR. CREASY: I would be glad if you would bring before your committee the essential necessity for the welfare of our Nation and the democracies of the world that the production of our food supplies be increased. We have a right to expect, and do expect, that the farmers of America will put forth their best efforts to bring this about.

Should nature favor the farmers' efforts for increased yields, it is the whole Nation's responsibility to see that these yields are conserved to the Nation's benefit and that a fair compensation is returned to the farmer for his labor and capital used in production of food supplies. An abundance of food supplies should not mean their production at a loss to the farmer. While the Government guaranty on wheat assures this production, the stimulation of the production of feeding stuffs and of animal products is of no less, or even more importance.

The Food Administration intends to the fullest extent of its powers, through the influence of expert buying, to maintain a price for animal products that will give a reasonable return to the producer, for it is our conception that stimulation of production is vital to the Nation and must be encouraged in every way. This increase in animal production must be to the farmer's own interest, for a market not only exists to-day for such increase at highly profitable levels, but must continue long after peace is declared, for Europe is being steadily denuded of its animals.

The Food Administration is supplied with the necessary power to prevent any "unjust, unreasonable, discriminatory, and unfair charge, profit or practice" affecting the welfare of the producer. This power will be used whenever necessary to secure that the grower's products reach the consumer at reasonable and normal cost of manufacture and distribution.

I do hope your council will use every influence in securing the results we so much need. We have ample supplies for our own people; the increase of production is necessary for our allies. They are our first line of defense, and must be maintained.

It also appears to me that the farm-labor problem needs earnest consideration of your committee, for next year's increase of production vitally depends upon securing more adequate labor.

Yours, faithfully,

HERBERT HOOVER.

I would like to have this committee to have before it the statement made by myself before the Committee on Agriculture of the Senate in March, 1918, in regard to the statistics Mr. Hoover put out through the country. I have not the exact page of that report here, but I think you will have no difficulty in finding it.

I would like this committee to have before it pages 522–526, volume 6, of the hearing before the Senate Committee on Agriculture, 1918.

Mr. ANDERSON. The last one?

Mr. LASATER. No; of March, 1918.

(The pages 522 to 526, of hearings before Senate Committee on Agriculture and Forestry, referred to, are here printed in full, as follows:)

The CHAIRMAN. Why didn't you make more?

Mr. WELD. Why didn't we make what we were allowed to make by the Food Administration?

The CHAIRMAN. Yes.

Mr. WELD. Now you are getting into another phase of the matter, but I will be glad to answer it to the best of my ability: Because commercial conditions during a part of the year 1918 were not favorable, and consequently, with the Food Administration's restrictions, although we did not come to its maximum, it was because the Food Administration was able to regulate our profits to a very large extent by setting a price on the goods that were purchased for our Army and Navy and for the Allies, which of course was a very considerable amount of goods. The prices that the Food Administration paid us for the large quantities of goods we shipped to our Allies, and especially of beef, showed a loss a large part of the time. If our whole business had been unrestricted, the chances are we would have made much larger profits. I think those are the two principal reasons and the two principal explanations.

The CHAIRMAN. Well, there were two conditions, as I understand. It is admitted by everybody who has been here before this committee that the packers were allowed to make 2½ per cent on their turnover on their meats; is that true?

Mr. WELD. That was the maximum, yes, which we could not exceed.

The CHAIRMAN. And it has been testified to by your people and by the small packers that none of them made that much.

Mr. WELD. I do not know whether any of them did, but I know that we did not, and that the five big packers did not.

The CHAIRMAN. Well, I will say that all these gentlemen who have appeared before this committee have declared that none of them has made that much.

Mr. WELD. All right.

The CHAIRMAN. The other agreement which you had with the Food Administration, you say, was that they placed a price upon your beef. I can not really understand why they should make one ruling that you should be allowed to make 2½ per cent, and then have another regulation authorizing them to name a price upon your beef products.

Mr. WELD. We had no understanding with them on that. It was just that they announced a price each month that would be paid for beef for use by our Army and for shipment abroad; and that price turned out to be unprofitable a large part of the year on beef products.

The CHAIRMAN. And then it was more of a voluntary regulation than anything else on your part?

Mr. WELD. Well, we could do nothing but submit to what they said would be the price. You see, if we had overrun that profit limitation, there would have been a serious question in the latter part of the year; if we found we were overrunning it, there would have been a serious question of how we should manage it, who had been permitted to make such a small profit in the beef department, due to the small profit allowed by the Food Administration.

The CHAIRMAN. You made in 1917 a profit of $47,236,000. What did you make in the aggregate in 1918—that is, the total profit?

Mr. WELD. To be comparable with that just $34,000,000—$33,000,000; that was before the Federal taxes were deducted.

The CHAIRMAN. Does that include the money profits and everything?

Mr .WELD. The money profits?

The CHAIRMAN. I mean the aggregate profits?

Mr. WELD. That is the aggregate profits. It is comparable with the $47,000,000 for 1917.

Senator FRANCE. How much is that?

Mr. WELD. $33,000,000.

The CHAIRMAN. That would be a difference of between $12,000,000 and $13,000,000?

Mr. WELD. On a much larger volume of sales?

The CHAIRMAN. At a much larger volume of sales?

Mr. WELD. Yes, sir.

The CHAIRMAN. Well, does that include all the by-products and everything?

Mr. WELD. Yes, sir.

The CHAIRMAN. That is a complete statement of all the profit of Swift & Co. regardless of what the profits might be?

Mr. WELD. Yes; there is a separate statement as to the beef department in our financial statement.

The CHAIRMAN. Of course, it might make some difference as to the inventory you might make as to the stock on hand. I presume that you do like everybody else when you make your statement?

Mr. WELD. Yes, sir.

The CHAIRMAN. And you might make your cost higher or lower as the case might be and that might have a whole lot to do with it?

Mr. WELD. In other words, we might manipulate our inventory figures to show——

The CHAIRMAN (interposing). Not necessarily manipulate; it might happen that way. For instance, a merchant might buy a suit of clothes one year at $15 and next year put in an inventory of $10.

Mr. WELD. Is there any change in the inventory that would affest that profit?

Mr. CHAPLIN. No; it was the same at the beginning and at the end of the year. It was regulated by the Federal Trade Commission and the Food Administration.

Senator PAGE. And you could not do that without having the extra profit and loss showing from one year to the next?

Mr. WELD. No; it would be rather dangerous to manipulate inventory figures. We would not think of doing it.

Senator PAGE. It is a matter that could be well demonstrated if investigated.

Mr. WELD. Yes; and the figures and profits were as Mr. Chaplin says under the supervision of the Food Administration.

Senator FRANCE. You think the Food Administration was a good thing, then, do you, for the consumers? It reduced your profit?

Mr. WELD. I do not know whether it does the consumers any good to reduce our profits or not.

Senator FRANCE. Of course, that is the very essence of the whole question. The question is whether you really made less profits under the license system than you do under the other system. Now, you are undertaking to prove here that you made less profits under close supervision that you did when you were running free. Of course if that is so the committee is materially inclined on the basis of testimony of that kind to put you under a close supervision, so I think that is a very important point to clear up. Personally I have been under the impression from all the figures that I have seen that under license and under supervision you were allowed to make larger profits than you ever did before.

Mr. WELD. And that is the impression I am trying to convey; that is, we did not make larger profits.

Senator FRANCE. Then, in other words, you are arguing in favor of a licensing system?

Mr. WELD. Absolutely not, sir.

Senator FRANCE. Certainly so far as the public is concerned; the public desiring a reduction in the cost of living, you are arguing in favor of it, although you may be arguing against your own interest.

Mr. WELD. Now, these do not affect the cost of living to the consumer, Senator. It has no effect on the commercial prices of the product. Of course, as there was an increased demand for goods to be sent abroad, but that was not the effect of the regulations. The prices paid us by the Food Administration for products shipped abroad--I will say this, that the regulations of the Food Administration probably saved the Government money in buying goods for itself and for shipment abroad, but it did not affect the commercial prices the consumers paid in this country.

Senator RANSDELL. Mr. Weld, if I understood you, what kept your prices down last year was the very large percentage of the goods bought for the use of the armies of this country and our allies at prices fixed by the Government.

Mr. WELD. Yes, sir.

Senator RANSDELL. Was that what held you down?

Mr. WELD. That is one thing.

Senator RANSDELL. While your sales were much larger your profits were very much lower, if I understood your testimony.

Mr. WELD. Well, on that portion used by the armies of the country and our allies.

Senator RANSDELL. And that portion that was sold to the Government for our armies and for our allies?

Mr. WELD. Yes, sir.

Senator RANSDELL. You did not begin to make a profit on that portion of the goods which the Food Administration said you would be authorized to make?

Mr. WELD. You say we did not begin to make it. We did not make; we did not make the full amount.

Senator FRANCE. I personally am under the impression that when a man is put in possession and allowed to fix prices that the tendency will be to higher prices. Now, I am open to conviction, but my experience with governments has been so unfortunate I would be inclined to think that when you lodged with man the vast power to fix prices on articles which are sold by the millions that the prices would tend to advance rather than decline, and I think that was the tendency during the food control, and I believe, by and large, the figures will explain it. However, your figures seem now to indicate to the contrary; and it is a very important point to be determined.

Mr. WELD. I think, Senator, I agree with you that it would probably have that effect, especially if that one man is also given other powers over industry which might interfere with our regular operations.

Senator FRANCE. Yes; that is what I mean.

Mr. WELD. I agree with you entirely in that. As this was a matter of purchasing supplies in an emergency, and is not quite analogous to purchasing by a board or price-fixing power in quite the same way.

Senator HARRISON. Did this low beef that you sold to the Government cause you to increase the prices that you sold the ordinary purchasers in civilian life?

Mr. WELD. Well, I can not say it did. We sell that in the market, what the market is, and we can get for our beef all the time. I doubt whether that has any effect on the prices at all of selling beef in commercial channels in the United States. Of course, the fact that huge amounts were purchased and sent abroad would have an effect upon the price here, but the fact that the Food

Administration set the price of food purchased, I can not see how it had any effect on the prices at all.

The CHAIRMAN. Well, Swift & Co. does not, of course, do all the business. There is a difference here of $13,000,000 share of that, and that would be sixty-odd million dollars besides what the independents might be; that $65,000,000 to $100,000,000 does make some difference to the consumer.

Mr. WELD. Well, all I can say is that it is only——

The CHAIRMAN (interposing). Well, answer this question: Was this price you are now speaking of, was that a price solely upon the goods that were exported?

Mr. WELD. The price that was fixed?

The CHAIRMAN. Yes.

Mr. WELD. That is what I spoke of; yes. There are really two or three other factors that kept our profits down than those I mentioned. I mentioned what I thought was the most important. The minimum price that was set on hogs made us buy hogs for a part of the time for more than they were really worth on the market. During the fiscal year that did not affect us very much. Toward the end of our fiscal year—these figures I give you are the Food Administration year—November 1. Since that time we have had to buy hogs at the minimum price a good deal of the time, where if there had not been a minimum price the price would have been lower. Furthermore, there was a limit on the hog product during a part of the Food Administration year, which also kept our profits lower than it otherwise would have been.

The CHAIRMAN. Was that largely for export, the hog products?

Mr. WELD. No; that was for domestic trade, sir.

Senator FRANCE. Well, Mr. Weld, isn't it true that your profits were cut down by a number of factors—the cost of operations and a number of other factors——

Mr. WELD (interposing). Yes, sir.

Senator FRANCE (continuing). Rather than by the dictum of the Food Administrator?

Mr. WELD. To both.

Senator FRANCE. In other words—before you explain—in other words, the testimony heretofore would seem to indicate that you had been allowed a larger margin of profits by them than you availed yourself of. I mean by the food administrators; in other words, isn't it true you continued to operate in about the same manner you had operated heretofore and that various factors increased the cost of operation and limited your profits?

Mr. WELD. Yes, sir.

Senator FRANCE. Rather than some decree by the administrator?

Mr. WELD. I gave as my first answer for the smaller profits the facts that commercial conditions in our business were unfavorable for a larger part of the year. It was a combination of the two, unfavorable commercial conditions and high cost of operations, as you say; they went up considerably in 1918 over 1917. And these things, together with the Food Administration—just what they would have been without the Food Administration we could not possibly figure out. We do not think they would have been as good as 1917.

The CHAIRMAN. The profits we have been discussing were the net profits. Now, would it be reasonable to assume that the spread would be as great in the gross profits—the gross profits of 1917 and 1918?

Mr. WELD. Do you mean before deducting expenses?

The CHAIRMAN. Before deducting anything.

Mr. WELD. Let me answer that——

Will you answer it, Mr. Chaplin? I think it is beyond me.

Mr. CHAPLIN. I think the profit would be a little less in 1918.

The CHAIRMAN. How much less?

Mr. CHAPLIN. I could not say.

The CHAIRMAN. Approximately, would it be $13,000,000?

Mr. CHAPLIN. No; I think not. Other expenses increased very much in 1918.

The CHAIRMAN. I do not know as you would care to disclose that, but I think it would be interesting to the committee if you would furnish approximately what the difference was. I do not care to know what your gross profits were, but what the difference might be between the gross profits in 1917 and 1918. If you will give that to the committee, I think it would be interesting.

Mr. WELD. Can we give that to them, Mr. Chaplin?

Mr. CHAPLIN. Yes, sir.

Mr. WELD. We will be very glad to give that to you, Senator.

(The statement referred to is included in the data which was afterwards furnished by Mr. Welt and is printed in full at page 528 of this record.)

Senator HARRISON. Aside from everything else, the Food Administration did reduce your profits to some extent?

Mr. WELD. Yes; aside from the purchasing for the Army and the Allies. There is no doubt about it. Now, the next point I want to take up was Mr. Colver's rather startling statement made before this committee to the effect that in 34 cities in England these 5 packers own 64 wholesale distributing houses and over 1,000 retail butcher shops. This was given as an illustration of what we might expect the 1925 model of the trust to be. In connection with that statement I make the following statement on behalf of Mr. L. F. Swift, president of Swift & Co.; Swift & Co. have no retail stores in Great Britain.

Mr. LASATER. I would like this committee to have before it letters to be found in the Congressional Record of September 24, 1919, between the President, the Federal Trade Commission, and Mr. Hoover, Food Administrator, to be found in volume 58, No. 103, pages 6187–6191.

(The letters referred to, between the President, the Federal Trade Commission, and Mr. Hoover, are here printed in full, as follows:)

To the PRESIDENT OF THE UNITED STATES SENATE:

SIRS. The Federal Trade Commission has the honor to make herewith report to the Senate in the matter of S. Res. 177 (Mr. Norris):

[In the Senate of the United States. Aug. 23 (calendar day, Sept. 3), 1919.]

"*Resolved*, That the Federal Trade Commission be, and it is hereby, instructed to inform the Senate whether said Federal Trade Commission, prior to July 1, 1918, made a special investigation of the reasonableness of the maximum-profit limitations fixed on the meat-packing industry by the Food Administration; and if such investigation was made, that the Federal Trade Commission be instructed to report to the Senate its conclusions and findings based thereon."

The Federal Trade Commission, by direction of the President, did make such examination, and on June 18, 1918, the Federal Trade Commission prepared a memorandum on the comments of Mr. Hoover. This latter, prepared in the form of a proposed letter to the President of the United States, was not then sent to the President at that time, but its form was confirmed by the commission and represented the commissions' opinion at that time. The letter was not sent to the President at that time, for the reason that its contents were orally discussed, and the matter seemed to be closed.

At the suggestion of representatives of the Food Administration, the commission is including in this return to the Senate, Mr. Hoover's letters of July 20, 1918.

There is also included three exhibits, being reports independently made by the accountants of the Federal Trade Commission; by the public accounting firm of Perley Morse & Co., New York, certified public accountants, and a report in which both the public accounting firm, the Federal Trade Commission's accountants, and Mr. Walter Y. Durand, a member of the Federal Trade Commission's economic staff, unite. These three exhibits contain the data upon which the report to the President of June 28 was based.

The report of the Federal Trade Commission to the President, the letters of comment by Mr. Hoover and the commission's memorandum follow, and to this report are annexed the three exhibits above identified. The report of the Federal Trade Commission to the President is as follows:

FEDERAL TRADE COMMISSION,
Washington, June 28, 1918.

SIR: On May 27, 1918, the President's Committee on Meat Policy in its report to you suggested that the Federal Trade Commission report to you before July 1 on the reasonableness of the present profit regulation of meat-packing companies as imposed by the Food Administration.

Immediately upon your direction that this be done, the commission undertook the task, and finds:

I. That the maximum profits for the five largest packers under the Food Administration regulations are unreasonably high. These rates of profit are estimated to be from two and one-quarter to three times as great as those earned in the prewar years of 1912, 1913, and 1914.

II. That the plan of regulation makes impossible adequate certification; so that to safeguard the public interest the plan should be changed.

Supplementing these conclusions, the commission makes the following specific recommendations:

(1) That the present segregation of the business of the packers into classes be discontinued, and for the current year, at least, the regulation apply a single rate to the licensee's entire business, including foreign business and domestic subsidiaries and affiliations, without segregation or exemption of any kind.

(2) That net worth (actual invested capital represented by stock issued and surplus) as of November 1, 1917, be the basis upon which the allowed rate of profit be computed for all packers, large and small, and that gross sales as a basis, as well as "net investment," which now applies only to the five chief packers, be discontinued. "Net investment," including, as it does, borrowed money, may be subject to abuse by reason of excessive borrowing and is a very difficult figure to certify to, while "net worth" is simpler—fairer as between different packers—and more just to the public.

(3) That the rate be a sliding scale based on volume in weight of animals slaughtered, thereby stimulating production of meats without directly encouraging expansion into other lines.

(4) That the normal rate for the five chief packers be 7 per cent on net worth, with ½ per cent increased allowance for every 10 per cent increase in weight slaughtered and ½ per cent decrease in rate for every 10 per cent decrease in weight slaughtered, the maximum profit allowed not to go above 9 per cent. It is probable that this rule would result in about 8 per cent, which is 1 per cent more than their actual prewar earnings.

(5) That the maximum allowed the smaller packers be 9 per cent, increasing on a sliding scale to 11 per cent, but without a decreasing scale.

(6) That profits in excess of the prescribed rates be either turned over to the Treasurer of the United States or applied against future Government purchases.

(7) That all meat packers, as well as slaughterers, be included within the regulation, except that no licensee doing an annual business of less than $500,000 be subject to Federal limitation of profits. (The minimum limit for Canadian packers is $750,000.)

In reaching these conclusions and recommendations the commission has been assisted by a committee of three of its staff, to which committee was assigned the task of collecting the pertinent facts bearing on the situation. The following reports of the committee are inclosed herewith, and in them will be found a further development of the various points already raised:

(1) Final report of the committee, signed by Messrs. Walter Y. Durand, Stuart Chase, and Perley Morse & Co., certified public accountants.

(2) Individual report of Perley Morse & Co.

(3) Individual report of Stuart Chase.

In connection with these reports the commission has on file supporting data and exhibits (notably a full transcript of hearings, in which Mr. Morse examined the officers of the five chief packing companies in regard to the present regulations), and will be glad to submit, on request, such additional material as may be necessary to a more complete understanding of the situation.

Very respectfully,

WILLIAM B. COLVER, *Chairman.*
JOHN FRANKLIN FORT.
VICTOR MURDOCK.

The PRESIDENT,
The White House, Washington, D. C.

The letter of Mr. Hoover, commenting on the foregoing, together with Mr. Hoover's covering letter, are as follows:

JULY 8, 1918.

DEAR MR. PRESIDENT: I am inclosing you rather a lengthy letter in reply to the Federal Trade Commission's report on the Food Administration maximum profits allowed the packers. I have the feeling that if the Trade Commission report is made public, then this reply, in justice, should be given coincident

publicity. I do not, however, believe that any useful purpose is served by public ventilation of interdepartmental disagreements as to governmental policy.

The matters at issue are matters of considerable importance and principle. If Congress passes sufficiently strong excess-profits legislation, it will automatically correct the situation and meet the views of both the Trade Commission and ourselves. If Congress does not do so, I am afraid you will need to make some decision in matters of principle.

My proposal is, therefore, that the whole matter shall be laid aside until the action of Congress is determinable. If, however, you think it desirable to have the matter inquired into at once, I would like to suggest that Federal Trade Commission report, together with the letter which I inclose, should be submitted to some independent person, say, Mr. Baruch or ex-Gov. Stuart, of Virginia, both of whom could advise upon the matters of principle involved, without necessarily entering into details of fact.

Yours, faithfully,

HERBERT HOOVER.

His Excellency the PRESIDENT OF THE UNITED STATES,
The White House.

JULY 8, 1918.

DEAR MR. PRESIDENT: I beg to acknowledge the report of the Trade Commission which you have so kindly forwarded to me, upon the effect of the Food Administration regulation of the packers' profits.

I realize fully that in the discussion of this matter any sentence uttered that can be interpreted as in support of profits to the packing industry subjects one to the charge of corrupt influence, and, on the other hand, I recognize equally the easy road to popularity through denunciation of these profits. It is, however, our duty to separate the emotional aspects in these matters from justice and national necessity to secure war results.

1. At the initiation of these regulations last October we called upon the Federal Trade Commission for information and advice, and members of the commission participated in the discussions with the packers which led up to the final regulations. Mr. Davies, who participated in these discussions, has since made the statement:

The 9 per cent limitation of profit on the most efficient meat-packing plants is out of all proportion to the much larger profits made by the relatively similarly efficient steel and copper producing agencies.

During the month of March, when it appeared that the profit limitations set out by the Food Administration were proving to be possibly larger than was anticipated, we requested through you that the Trade Commission should investigate the working of the regulations and advise as to their fairness, and we arranged that they were to take over the auditing of the accounts to determine the accuracy of the packers' profit statements.

2. The initial regulations were formulated on the basis that they should limit the maximum percentage or turnover to a figure no greater than the prewar average, with the further limitation that the bulk of the business—that is, the most business—should not earn over 9 per cent, and that the specialty business involving foodstuffs should not earn more than 15 per cent. Certain classes of business were excluded altogether; that is, the businesses in foreign countries and nonfood businesses, such as sporting goods, banks, and manufactures, into which foodstuffs did not enter, all these being outside the legal function of the Food Administration. The application of the 9 per cent limit fell upon 75 per cent of the regulated business—the meat business plus transfer value of by-products and 15 per cent limitation applied to the specialty business and completion of by-products. These percentages were computed upon the total capital used by the packer in these businesses, including borrowed money.

3. The Trade Commission report advises that the Food Administration should include oil businesses (although this is not legally feasible), and that a flat maximum of profits should be imposed of 7 per cent plus 1 per cent additional for each 10 per cent increase in volume of weight of animals killed up to a maximum of 9 per cent. The prospective business during 1918 would probably allow the packers to realize the full 9 per cent. The Trade Commission basis, however, prescribes that borrowed capital should be excluded from calculations of earnings.

4. Taking as a basis the tables accompanying the report of the Trade Commission and excluding the nonfood and foreign business, and combining all of the five great packers, we find the following essential figures:

Total investment	$853,219,000
"Net worth"	389,885,000
Consequently borrowed capital	468,334,000
Total estimates of Food Administration maximum profit	87,433,000
Less interest	21,407,000
Net earning	66,036,000

The profits are gross, without deduction of taxes, which would amount to about $16,000,000, leaving about $50,000,000 net. The Trade Commission's allowance of 9 per cent on "worth," as applied to the above figure of $389,885,000 would give a net earning of $35,089,650. Whether this is before or after taxes, we do not know, but assume from the text that it is net for dividend purposes. We would submit that the estimated interest figure given in the above table is $2,000,000 less than the actual necessary payment on a 5 per cent basis, and that therefore the Trade Commission's recommendation would call for a reduction in the maximum earned on this class of business of about $29,000,000 without taxes, or about $13,000,000 if their figures are net. This would imply a reduction of about 40 per cent in one case or 20 per cent in the other, and therefore makes it difficult to understand the statement that the Food Administration regulation allows the earning to be from two and one-half to three times as great as normal. This probably arises from the assumption that the Food Administration could control outside profits—which are estimated at $25,000,000 per annum for the five packers.

5. The combined five packers will, in 1918, probably kill 12,000,000,000 pounds, live weight, of animals, resulting in 7,000,000,000 pounds of meat products. A profit of 1 cent a pound would be $70,000,000. Therefore the possible profits under the Food Administration regulation are less than 1 cent a pound, and the reduction proposed by the Trade Commission will amount to about one-third of a cent per pound. It is necessary to emphasize this, for the producing public may be misled into the belief that the bare volume in the figures, large as they are, will have actual and tangible results in reducing the cost of living. The fact of the case is that one-third of a cent per pound seldom reflects into realization in the hands of the subsequent distributing trades after the meat has left the packer.

6. The Trade Commission has the feeling that there is little or no risk attached to these enterprises, and that therefore their earnings should be reduced to practically the terms of a public utility. We feel that they have overlooked certain great risks. Something like $250,000,000 invested in food stocks are being carried at high prices and would depreciate 30 per cent if communications with Europe were cut off 30 days or if the production program in force should outrun the meat demands and there should be a fall in the animal market. An increased shipping program that would open other food markets to the Allies would have the same effect.

7. The Food Administration regulations permit earnings upon borrowed as well as packers' own capital, whereas the Trade Commission proposes that no profits should be allowed on borrowed capital. This appears to us to strike at the base of most business enterprises. As we understand it, a large part of the commerce and trade of the country is founded on the earnings of an excess sum on borrowed capital over the bare interest cost, and we feel that if this principle proposed by the Trade Commission were laid down as a precedent, it would produce an absolute state of panic in the United States. This industry must borrow money largely on short-time paper to carry the large reserve stocks now created for the Army and the Allies if they are to be continuously provided for. We are confident if this question were submitted to any group of competent advisers they would affirm that businesses in general, and this business in particular, must earn a profit over and above interest charges on actual capital borrowed.

8. The food strategy necessary to the handling of war issues has involved the increase in our exports to the Allies and our Army and Navy by over 250 per cent. In order that we should be prepared for any emergency, it has been necessary to call upon the packers to increase their stocks in storage. Furthermore, the program of stimulation of production, particularly the pork so criti-

cally needed for war purposes, and the maintenance of a stable minimum price on hogs has involved the packers in much larger stocks than would normally be acquired. All of this has necessitated an increased borrowing on the part of the packers that would not have been called for had they conducted their business in the normal manner. Therefore, the compensation of the packers must bear some relation to their borrowed capital.

9. We must recognize that this great centralized industry is the cheap producer and that an administrative limitation of maximum profits in certain of their specialty businesses that will reduce them to popular ideas of earnings will throw into the hands of these centralized institutions all the business in these specialties by crowding out high-cost producers, and thus will eventually reduce production or aggrandize monopoly. We can not agree to the answer to this argument in the report as follows:

If it appears that the big packers can operate these specialty businesses more effectively than the independents, it is sound war-time efficiency to let them do it. The only danger in the situation would be the failure of the Government to continue its regulation of the packers and their affiliated companies after the war.

It is our belief that one of the greatest dangers to the whole of the food trades of the United States is the further expansion of these big packing industries and the elimination of smaller business and individual enterprise. It is not sound war-time efficiency to enable a monstrous growth of this kind to destroy individual enterprise of the United States on the mere hope that regulation of the industry will continue after the war. By that time the competitors will all be dead.

10. There is one prime difficulty in all regulation of profits in advance. Such advance regulation must provide for stimulation in production, give an incentive to serve war aims, and must provide sufficiently wide margins to cover all possible disk. If the concern regulated is so fortunate as to come through without incurring losses from the risks the profits may be inordinate. Having narrowed the possible profits of the packer to less than 1 cent a pound in protection to producer and consumer, our point of view was to encourage him to follow the national-food strategy at his own risk.

11. In calling upon the Trade Commission to reexamine this problem we had in view some attempt to further regulate down the possible maximum profits of the packers.

Since that time proposals have been formulated in Congress to enact further strong excess-profits legislation. Such legislation would be much the most satisfactory remedy. The Food Administration regulations having in some degree accomplished stability in the market, having stimulated production and served war ends and eliminated vicious speculation, should be broadly supplemented by tax legislation that would restore to the public any inordinate earnings that might be secured by the more fortunate manufacturers. This method also has the great advantage of equalizing situations between different manufacturers, which is one of the objects sought by the Trade Commission plan.

12. An advance-profit regulation operates, if too strictly drawn, to curb incentive, to destroy production, and to limit efficiency. The sound method, if possible, is to give a fairly loose profit regulation, sufficiently strict to prevent speculation, stabilize price levels, and then, by taxation, to appropriate to the Government any extraordinary profit that may have arisen. There is also a psychological point of great importance—any given business enterprise would willingly pay in the shape of a tax whatever may have been its extraordinary profits. But if its profits are limited in advance to the same sum, the same enterprise will feel it is restricted, unable to protect itself against risks of loss, and the reaction will damage the efficiency and courage in the conduct of this enterprise.

In conclusion we are not in disagreement as to the fact that the packers may earn too large profits under the regulations. We are in disagreement as to the method of establishing regulation and perhaps as to the actual percentage. On the other hand, we feel that the whole matter can quite well be deferred until the character of the action now being taken by Congress can be determined. If it should prove ineffective to accomplish these ends it would be necessary to revise the regulations, and I will take it up immediately upon my return from Europe.

I have written a letter to Senator Simmons, at his request, on the whole relation of a properly founded excess-profits tax in its bearing on regulation of industry, which expresses more fully the views which we have formulated in this matter, which I transmit herewith.

Yours, faithfully,

HERBERT HOOVER.

His Excellency the PRESIDENT OF THE UNITED STATES,
The White House.

The memorandum of the commission of July 29, 1918, in the form of a letter to the President, but not then sent, is as follows:

FEDERAL TRADE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, July 20, 1919.

DEAR MR. PRESIDENT: It is with reluctance that we address you in the matter of the commission's report to you under date of June 28, 1918, and Mr. Hoover's letters to you apropos that report.

It may save your time if we restate briefly the history.

I. At Mr. Hoover's request, on March 26, 1918, a commission was appointed by the President to consider the Food Administration's regulation of the meat packers.

II. On May 27, 1918, the commission unanimously reported to you.

III. Among other suggestions was one that the Federal Trade Commission report to you before July 1, 1918, on the reasonableness of the present profit regulation of the meat-packing companies as imposed by the Food Administration.

IV. On May 27, 1918, the President approved the report of the commission and directed that this and other work suggested be undertaken by the commission.

V. On the same day the Federal Trade Commission was notified of your direction by Mr Hoover.

VI. On June 28, 1918, report was made to you as to the reasonableness of the profit margin under the present regulations. The commission found that the packers' maximum profits were unreasonable and suggested certain modifications of regulation.

VII. On July 8, 1918, Mr. Hoover addressed two letter to you concerning the report of the commission. Mr. Hoover's letters seem to revolve around a question of publicity. This is unfortunate. The commission's report made to you at your direction was not made with an eye to public reading, but to the end that your direction, made at Mr. Hoover's request, might be faithfully fulfilled to the best of our ability.

We agree that no "useful purpose is served by public ventilation of interdepartmental disagreements." We know of no such a disagreement here. Certain regulations were in effect. It was questioned whether or not they might, in the public interest, be amended. We suggested certain amendments. That seems to end our connection with the matter.

We have not suggested that our report, or any part of it, be made public, and it would seem from your letter of July 8 that a confusion arose between our report as to maximum profits, dated June 28, 1918, and that part of our report on the general food investigation having to do with the meat-packing industry made to you under date of July 3. It was this latter report that seemed to be a proper matter to be made public, in that it suggested certain legislation and naturally would be a public document. The report of June 28 on the reasonableness of the maximum profits suggested amendments to regulations, which might be made or rejected by the Food Administration without additional legislation, and hence might properly be a departmental matter and not a public one.

The Federal Trade Commission's report on maximum profits was not made in a spirit of criticism, but was made in good faith and upon invitation. It was desired that it might be helpful. Having been made, its only value consists in what helpfulness may be extracted from it.

In the longer of the two letters of July 8, Mr. Hoover says:

"In calling upon the Trade Commission to reexamine this problem, we had in view some attempt to further regulate down the possible maximum profits of the packers.

"Since that time proposals have been formulated in Congress to enact further strong excess-profits legislation. Such legislation would be much the most satisfactory remedy."

It appearing that the report requested is no longer desired, the commission would cheerfully withdraw it were it not for the fact that two questions have been raised by Mr. Hoover's letters. These questions are of such serious import that we ought not in good conscience be bound by silence.

(1) The doctrine is laid down that in computing return, borrowed money shall be taken in as invested capital.

It is stated in Mr. Hoover's longer letter, on page 6, that the declaration of the principle that borrowed money should not be included as invested capital "would produce an absolute state of panic in the United States"; and, further, it is stated that "if this question were submitted to any group of competent advisers," it would be decided adversely to the position taken by the commission.

After diligent inquiry we can find no competent authority in the United States that takes a view contrary to that expressed by the commission. We quote Col. Robert H. Montgomery, pages 572–573, Income Tax Procedure, 1918, a standard and accepted work:

"Capital, in a commercial sense, is what remains after debts are provided for. A man with no capital of his own may borrow $1,000 and lose it in his trade or business. He still owes it. As before, he has no capital, and now he does not have economic capital.

"Borrowed money is the capital of the lender, not of the borrower. Much has been said in favor of considering borrowed money as invested capital, but the author thinks that the arguments used are fallacious and impracticable. If banks were to consider all deposits invested capital a curious situation would arise. Its depositors might not like the idea.

"The inclusion of interest as an expense of the business is a sufficient recognition of the use of borrowed money by the borrower.

"In the case of corporations where the limitation on interest deduction may operate to prevent credit for the full amount paid there is, of course, an injustice, but the remedy is to remove the restriction on the interest allowance, not to consider borrowed money as capital."

Being asked if there was any more extensive written authority on this subject, Col. Montgomery has told us that since there is not even a schism on this principle and since it is of universal acceptance, its mere statement was considered by him to be sufficient in his textbook.

Col. Montgomery is an attorney, a certified public accountant, a former president of the American Association of Public Accountants, a professor of accounting in Columbia University, and at present the expert adviser of the War Department in such matters, as well as the War Department's representative on the price-fixing committee of the War Industries Board.

The second question raised by the fact that running through both of Mr. Hoover's letters addressed to you under date of July 8 is the thought that legislation providing for stronger excess-profit taxes will "automatically correct the situation and meet the views of both the Federal Trade Commission and ourselves (the Food Adminstration)"

The Federal Trade Commission dissents wholly and entirely from this theory. Before excess-profits taxes may be collected from business concerns excess profits must first be taken from the consuming public or from the Government of the United States in the form of inflated prices. It is not business, but the people, both as consumers and as taxpayers and bond buyers, provide the money collected indirectly as excess-profits taxes.

Our understanding is that the excess-profits tax was not a revenue device primarily, but a device designed, first, to discourage profiteering, and, second, to equalize any inequity which might be worked in the application of general price-fixing rules where, in order to secure production from high-cost concerns, prices had been fixed so high as to give undue profits to low-cost concerns. It is not our idea that prices should be fixed high so as to yield excess-profits taxes, but that excess-profits taxes are collected to prevent fixed prices from yielding confirming earnings in the hands of stockholders.

We dissent from the theory of taking back 30 cents or 50 cents or 60 cents or 80 cents from a dollar improperly taken from the people as consumers or from the Government. It is attempting to life one's self by his boot straps and losing 60 or 40 or 20 per cent of the energy employed. A price structure built upon such a theory as this can not and should not be tolerated by the people of the country.

Aside from the impossibility of such a principle viewed from the public standpoint, it has a vicious effect upon business itself. The reflect shows itself in tax evasions and, worst of all, in inviting and encouraging wasteful and extravagant business operations. When a business reaches the point that its excess-profits tax will operate to take away a considerable part of its surplus earnings, it inevitably is tempted, and in many, many, cases the temptation has proven irresistible to spend extraordinary sums in unnecessary expenditures. These take the form of advertising looking to the building up of present or future good will or of repairs and betterments not presently needed or made with an eye to the future and in anticipation of a return to peace-time basis. Such an expenditure is made on the theory that out of every dollar so spent the Government must contribute unknowingly from 60 to 20 per cent of the cost.

Since the Government takes 50 per cent of the meat product of the packer's heavy hides, and since the civilian public consumes the remaining 50 per cent of the meat product, we are wholly unable to see that any tax legislation which would cover into the United States Treasury some percentage of excess profit would thereby "restore to the public any inordinate earnings that might be secured."

The foregoing is written to you in order that you may know the principles to which we are holding and with the hope that we may be advised if, in your judgment, we are in error. Manifestly, this letter is not written with an idea that it is a public document, and in this connection we would say that we can see no reason for the publication either of our report to you of the maximum profits of the packers under food regulations, or either of Mr. Hoover's letters founded thereon.

If, however, the Federal Trade Commission is asked by Congress to make any contribution to the discussion as to excess-profits tax legislation, it will feel constrained to make reply along the lines herein indicated, in which case we will find ourselves not agreeing with the doctrines laid down by Mr. Hoover in his letter to Senator Simmons, reference to which he makes in his letter to you. Such a statement on our part, however, will not be made with any idea "that it is a public ventilation of interdepartmental disagreement," but rather the reply that our conscience and our sense of public duty will require us to make.

By direction of the commission.

Respectfully,

WILLIAM B. COLVER, *Chairman.*

The PRESIDENT,

White House.

The three reports of the expert accountants referring to the above are attached hereto as exhibits.

By direction of the commission.

Respectfully,

VICTOR MURDOCK, *Acting Chairman.*

Mr. LASATER. Now, as this matter of large expenditures of the two committees of cattlemen has been brought up; that is, before this committee by Mr. Rainey and at the hearing before the House by Mr. Morris, I desire to file here two affidavits that will show the expenditure of the two organizations I have been connected with. One of them is signed by T. W. Tomlinson, secretary, and the other by George Hampton, who is managing director of the farmers' committee, of which I am a member.

Mr. ANDERSON. This is new matter?

Mr. LASATER. This is new matter; simply two affidavits; I filed the Tomlinson affidavit before the committee of the House.

Mr. ANDERSON. Before the Committee on Interstate and Foreign Commerce?

Mr. LASATER. It is the same thing I have filed in affidavit form; and the George Hampton proposition brings down the expenses to date, so far as I am concerned. I will say that individually I have

spent in 1918 $600 or $700 in addition to this, that would not appear on either of these affidavits, and my personal expenses, of course, are not included in either.

(The affidavits referred to and submitted by Mr. Lasater, are here printed in full, as follows:)

T. W. Tomlinson, of the city and county of Denver, secretary of the American National Live Stock Association, also secretary and treasurer of the market committee of that association, makes the following statement:

The market committee of the American National Live Stock Association was created at the El Paso convention in January, 1916, and since that time it has had entire charge of all the work done by this association and all the money expended relative to the investigation of the meat industry by the Federal Trade Commission and the legislation now being considered by Congress. According to vouchers on file the market committee spent during the past three years the following:

During 1916 $21,621.03; 1917, $12,067.54; and during 1918, $13.566.66; a total of $47,255.23. Our books have been audited by accountants and are certified to be correct. These expenditures were mostly for printing pamphlets and statements outlining our position on the control by the packers of marketing facilities, stockyards and other instrumentalities, for attorney fees, expenses of committees, clerical help, and office expenses. During the entire three years of its existence the market committee has spent less than one-third of the amount Mr. Edward Morris claimed was raised and spent annually. As a matter of fact, our market committee has had a great difficulty in properly presenting its position and recommendations to the American people on account of lack of funds to secure the necessary publicity.

None of our funds have been improperly spent, and all we have raised is but a fraction of what the packers have used to influence public opinion. I doubt whether our entire expenditures during the past three years have been as much as the packers have recently spent in trying to split the ranks of live-stock producers and disrupt their organizations. When our market committee was created in 1916 there were five members, namely, H. A. Jastro, Bakersfield, Calif., chairman; E. L. Burke, of Omaha, Nebr., vice chairman; J. B. Kendrick, of Sheridan, Wyo.; I. T. Pryor, San Antonio, Tex.; A. E. de Ricoles, of Denver, Colo. The committee was enlarged to seven members at the 1918 convention. Mr. Jastro is still chairman of the committee.

T. W. TOMLINSON, *Secretary.*

Subscribed and sworn to before me this 28th day of January, 1919.

[SEAL.] LELA L. RHOADES,
Notary Public.

My commission expires October 3, 1922.

STATEMENT OF GEORGE P. HAMPTON, MANAGING DIRECTOR, FARMERS' NATIONAL COUNCIL.

Total funds received and expended by the Farmers' National Council in the campaign to secure legislation by Congress to control the packers are as follows:

From or through E. C. Lasater:	
From beginning of campaign to Aug. 31, 1919	$7,163.00
From Sept. 1, 1919, to Feb. 28, 1920	2,500.00
From or through William Kent:	
Prior to Aug. 31, 1919	3,750.00
From Sept. 1, 1919, to Feb. 28, 1920	1,250.00
From dairy products committee	500.00
From Farmers' National Council, general funds:	
Prior to Aug. 31, 1919	6,002.40
From Sept. 1, 1919, to Feb. 28, 1920	1,450.00
Total receipts	22,615.40

Average monthly expenditures in 1918, about $570.

Average monthly expenditures in 1919 and for January and February, 1920, about $950.

Campaign work began in January, 1918.

AFFIDAVIT.

Before me, a notary public in and for the District of Columbia, personally appeared George P. Hampton, who having been duly sworn according to law deposes and says, that he is the managing director of the Farmers' National Council, that he is responsible for all receipts and expenditures in the campaign of the farmers' national committee on packing plants and allied industries of the Farmers' National Council, and that the statement set forth above and made a part of this affidavit is, to the best of his knowledge and belief, a true statement of the total funds received and expended by the farmers' national committee on packing plants and allied industries, or by any other committee or organization under the direction of the Farmers' National Council, or by the Farmers' National Council itself, in efforts to secure legislation to control the packers.

[SEAL.] GEORGE P. HAMPTON.

Subscribed and sworn to before me this first day of March, 1920.

H. M. VANDERVORT,
Notary Public.

My commission expires December 27, 1922.

Mr. LASATER. I would like this committee to have before it also the entire testimony of Mr. Swift before the Committee on Interstate and Foreign Commerce of the House, and also part of the testimony that I introduced there to be found—I have not the reference here in my data, but it is Louis F. Swift's testimony before the Interstate and Foreign Commerce Committee of the House, February, 1919.

You will find in reading Mr. Swift's statement that he found it difficult to mention any reasons why there should be antagonism as between packers and producers. He did mention that the foot-and-mouth disease that occurred in 1914, which gave such excessive losses to the producers of the country as one reason for their dissatisfaction.

This Landergin incident that shows a difference between selling to the packer and to an independent buyer of approximately $30 a head in cattle, his account sales and the explanation is concisely given, and I would like to have the committee to have that to refer to.

I will state the occurrences like these that go back over a period of a great many years that have happened in the experience of nearly all of us that create antagonism, if you like, that make us feel that we are unjustly treated at the hands of the packers.

Mr. TINCHER. Is that Landergin's testimony?

Mr. LASATER. No; Landergin did not appear.

Mr. TINCHER. Is that the incident of the shipment to Kansas City, where they reduced the price, and he shipped on to St. Louis?

Mr. LASATER. Yes; and where he sold them to the Ruddy Packing Co. and financed the deal for the Ruddy Packing Co. so that they might handle it. This report of Landergin's shows that he made between $20 and $30 difference in the steer, and my recollection is that Ruddy made about $7 profit for slaughtering and marketing cattle and products. That is $7 per head.

Mr. TINCHER. Was that Landergin of Amarillo, Tex.?

Mr. LASATER. Yes.

Mr. VESTAL. Where is that to be found?

Mr. LASATER. It is to be found on pages 1522, 1527, 1528, 1529, and 1530 of the report mentioned.

Mr. VEEDER. Which report, of the House committee or the Senate committee?

Mr. LASATER. The House committee.

Mr. VEEDER. The House committee report for February, 1919?

Mr. LASATER. February, 1919; that is correct; yes, sir.

(The data referred to and submitted by Mr. Lasater is here printed in full as follows:)

On August 12, 1918, Landergin Bros., of Amarillo, Tex., sold through the Drumm Commission Co. to Armour & Co., 142 steers, price $15.10 per hundred; steers weighing 1,075 pounds net per head, $159.42. On August 19 they had a second shipment in St. Louis, at the National Stock Yards. These cattle were offered in Kansas City and not sold and were forwarded on to St. Louis. These are the same class of cattle as ones previously sold in Kansas City, 162 head, weighed in St. Louis 1,029 pounds, and the average net was $128.74 the price they brought, $13, with the exception of one steer, which sold at $9 a hundred pounds. St. Louis is nearer the consuming centers, and naturally the steers should have brought more money, but it shows a decrease in price from August 12 to August 19 of $2.10 a hundred in addition to freight and shrink. That is last year, when we are supposed to have stabilized the live-stock market.

Mr. HAMILTON. They were fed en route?

Mr. LASATER. There was no feeding between Kansas City and St. Louis.

Mr. HAMILTON. They were fed in the yard, and that feed is very expensive.

Mr. LASATER. Of course, they had an additional cost all along the line. You see the net was $128.74, and on the first bunch net the grower got $159.42.

Mr. STEPHENS. Nearly $30.

Mr. LASATER. $30 a head, practically. Mr. Landergin had planned to be here, and I had requested him to be here, but on account of storms in the Panhandle of Texas and western Kansas, where he is wintering cattle, he found he could not leave his work, so he is not here. But Mr. Landergin made this statement to me when I last met him, and these account sales were sent by Mr. Landergin's commission company to me here at Mr. Landergin's request. Mr. Landergin stated to me that when the market broke to that extent something over $2 a hundred, he could see nothing to justify it, so he decided to see if there was not some way by which he could improve his situation. There is an independent packing plant in Kansas City, known as the Ruddy Packing Co. Ruddy has not been able to finance himself properly, so John Landergin told me he made this proposition to Tom Ruddy: "I will price my steers to you, and if you agree to buy them I will carry them for you until you have a chance to sell your product and get returns on them," and so he not only sold these two shipments, but sold others during the shipping season. In every instance Ruddy showed a profit on the cattle purchased, and accounted to Mr. Landergin for the purchase price These are the same class of cattle.

On August 21 Ruddy bought 167 head of Mr. Landergin—this is in Kansas City, now, not St. Louis—at 14¼, with the exception of one, which sold at 13¼. weight, 1,074 pounds; net, $149.78. That is $21 a head more than these steers netted Mr. Landergin that were sold at St. Louis to Armour & Co. He stated to me that Ruddy showed he made a profit of $7 a head on that bunch of steers.

The CHAIRMAN. How much time had elapsed?

Mr. LASATER. This was from August 19 to August 21.

Mr. SANDERS. Two days.

Mr. STEPHENS. Is that $7 comparable with the 9 cents a head Mr. Wilson claimed he made?

Mr. LASATER. In no way.

Mr. SANDERS. Is it on the same basis?

Mr. LASATER. Yes; of course that included Ruddy's total profits, but the packers can not be talking about the total profits. He claims to make only a dollar a head. That is absolutely absurd.

Mr. ESCH. What was the freight between Kansas City and East St. Louis?

Mr. LASATER. We can find that; I can not give it from memory, but it will show here. It gives freight and yard charges $357.90, whatever that would average on 162 head.

Mr. ESCH. Practically $2 a head.

Mr. LASATER. Practically $2 a head from Kansas City to St. Louis. Now, on August 26 there was another bunch of steers sold by Mr. Landergin to the Ruddy Packing Co. under the same terms. These steers, 260 head, averaged 1,044 pounds and netted Landergin $145.66, bringing 14¼ through per head, Kansas City. Now, Mr. Swift was insistent on assuring you gentlemen that the grower was a party to the trade; he knew more or less what he was going to get when he shipped his stuff to the market. I produce the account sales and dates filed showing that this man has made a difference of practically $30 a head within a week's time.

Mr. SANDERS. From the 12th to the 19th?

Mr. LASATER. From the 12th to the 19th, a week's time, and that could not have been what the value of the steer was, because here is an independent buyer that comes in and pays between $10 and $20 a head more for the cattle than Mr. Armour was paying, who was not able to work his plant to capacity on account of not being able to finance it, must have had an overhead expense very much larger in proportion than Mr. Armour had and still shows a net profit much larger than Mr. Armour claims to make.

Now, gentlemen, I want to call your attention to what the facts that I have attempted to present to you have done to the live-stock industry of the Nation. I have here the total slaughter of cattle of the United States, or rather this gives the inspected slaughter from 1911 up to 1918, but having the inspected slaughter and the Department of Agriculture figures of per cent of inspected slaughter to total slaughter, it is easy to arrive at the total slaughter in the United States. These statistics show that since 1914 the slaughter of calves has more than doubled; that is, taking the slaughter in 1918 as compared with the slaughter in 1914, we have increased our slaughter of calves a little over 100 per cent. That is the total slaughter in the United States.

The CHAIRMAN. What ages do you mean?

Mr. LASATER. Anything under a yearling.

The CHAIRMAN. That was my understanding, but I wanted to be sure about it.

Mr. LASATER. Anything under a yearling. It shows that for the past two years, 1917 and 1918, we have increased our slaughter of cattle more than 4,000,000 head per year, more than the average slaughter of the five years prior to 1916. This great push of cattle to the central markets of the country commenced in 1916, but it did not get its full swing until 1917, and there was a still larger volume in 1918. The Department of Agriculture and every Government agency have for years been impressing upon the country the necessity of increasing its cattle. Their reasoning is sound; they ought to have been increased; and that live-stock production had in no way reached its limit of production is shown by what the farmer was able to do with hogs the year just passed. It looks to me like it is perfectly plain that the combination of packer and food administrator has had its effect upon the morale of the live-stock producer of the country.

DRUMM COMMISSION CO. (INC.),
Kansas City, August 12, 1918.

Account sales of 141 cattle sold for account of Landergin Bros.; shipped from Soldania, Okla., via. Santa Fe R. R. Aug. 12.

Purchaser.	Cattle.	Weight.	Price.	Amount.
Armour	51	54,680	$15.10	$8,256.80
Do	57	61,740	15.10	9,322.74
Do	33	35,500	15.10	5,360.50
Total	141	151,920	.....	22,939.00
	[1] 1	810	.....	.....
	142	152,730	.....	.....

[1] Subject account sale later.

Average weight, 1,075.
Average per head, $159.43.
Gross receipts $22,939

Account sales of 141 cattle sold for account of Landergin Bros, etc.—Continued.

Cars.	Weight charged.	Rate.	Freight.
		Cents.	[1] $0.60
1	24,500	20½	50.23
1	24,500	20½	50.23
1	24,500	20½	50.23
1	24,500	20½	50.23
1	24,500	20½	50.23
1	24,500	20½	50.53
			[2] 9.06
			311.04

[1] Insurance. [2] War tax.

Freight and back charges	$311.04	
Yardage	35.25	
Hay, 675 pounds	10.13	
Commission	98.70	
		455.12
Net proceeds		22,484.90

Disposition of proceeds, credited to account.

DRUMM COMMISSION CO., INC.,
National Stockyards, Ill., August 19, 1918.

Account sales of 162 cattle sold for account of Graham & Shidler, account Landergin Bros. at Kansas City, Missouri Pacific Railroad.

Purchaser.	Cattle.	Weight.	Price.	Amount.
Armour	145	149,950	$13.00	$19,493.00
Do	11	10,910	13.00	1,418.00
Do	6	5,100	9.00	459.00
Total	162	165,960	.....	21,370.80

Average weight, 1,024.
Average per head, $128.74.
Gross receipts $21,370.80

Number of cars.	Weight.	Rate.	Freight.
		Cents.	
16	23	20½	$47.15
	137,400	20½	281.70
War tax			10.36
Shippers' Protective League, 5 cents			.35
Insurance in yards (12 cents per car)			.84
Switching			17.50
Total			357.90

Freight and back charges	$357.90	
Yardage	50.50	
Hay, 1,200 pounds	18.00	
	426.40	
Commission	97.20	
		523.60
Net proceeds		20,847.20

Disposition of proceeds: Cash.

DRUMM COMMISSION CO. (INC.),
Kansas City, August 21, 1918.

Account sales of 167 cattle sold for account of Landergin Bros.; shipped from Soldani, Okla., via Santa Fe R. R., Aug. 21.

Purchaser.	Cattle.	Weight.	Price.	Amount.
			Cents.	
Ruddy	52	56,500	14½	$8,051.25
Do	38	40,770	14½	5,809.72
Do	55	58,840	14½	8,384.70
Do	21	22,360	14½	3,186.30
Do	1	920	14½	121.90
Total				25,553.87

Average weight, 1,074.
Average per head, $149.78.
Gross receipts $25,553.87

Cars.	Weight charged.	Rate.	
		Cents.	[1] $0.70
1	24,800	20½	50.84
1	24,800	20½	50.84
1	24,800	20½	50.84
1	24,800	20½	50.84
1	24,800	20½	50.84
1	24,800	20½	50.84
1	24,800	20½	50.84
			[2] 10.71
			367.29

[1] Insurance. [2] War tax.

Freight and back charges	$367.29	
Yardage	51.75	
Hay, 750 pounds	13.13	
Commission	116.90	
		539.07
Net proceeds		25,014.80

Disposition of proceeds: Credit on account.

DRUMM COMMISSION CO. (INC.),
Kansas City, August 26, 1918.

Account sales of 260 cattle sold for account of Landergin Bros.; shipped from Soldani, Okla., via Santa Fe Railroad, August 26.

Purchaser.	Cattle.	Weight.	Price.	Amount.
Ruddy	55	57,700	$14.25	$8,222.25
Do	46	47,700	14.25	6,797.25
Do	51	54,440	14.25	7,757.70
Do	43	44,040	14.25	6,275.70
Total	260	271,540		38,694.45

Account sales of 260 cattle sold for account of Landergin Bros, etc.—Continued.

Average weight, 1,044 pounds.
Average per head, $145.66.
Gross receipts $38,694.45

Cars.	Railroad weight.	Weight charged.	Rate.	Freight.
			Cents.	[1] $1.10
5	24,000	120,000	20½	246.00
6	23,700	142,200	20½	291.54
				[2] 16.14
				544.78

[1] Insurance. [2] War tax.

Freight and back charges	$554.78	
Yardage	65.00	
Hay, 1,200 pounds	21.00	
Commission	182.00	
		822.78
Net proceeds		37,871.67

Disposition of proceeds: Credit on account.

Mr. LASATER. Now, also, I would like to introduce here or rather refer you to testimony of Mr. Murdock before the same committee, occurring at pages 2319 to 2330, inclusive. I would like you gentlemen to have those facts before you in considering this proposition.

Here is one matter that I think is new.

Mr. WILSON. Did you mean to introduce those?

Mr. LASATER. No, sir; under the suggestion of the gentleman there, who asked me if I had anything I thought was important simply to give you gentlemen the reference where you could find them, and I am simply doing that instead of cumbering the record. If you want them to go into the record I will be glad to do it.

Mr. WILSON. Are there many pages of it?

Mr. LASATER. I gave the pages.

Mr. WILSON. I think since there are just a few pages that it ought to go into the record.

Mr. TINCHER. I would like to have it go into the record.

Mr. LASATER. I was acting on the suggestion of the committee.

Mr. TINCHER. I understand you were, but there are such a few pages that I think it ought to go in.

Mr. LASATER. Very well, they may go into the record.

Mr. ANDERSON. They will be inserted in the record.

(The excerpts from testimony of Mr. Murdock, referred to and submitted by Mr. Lasater, are here printed in full, as follows:)

GENERAL STATEMENT AS TO PACKERS' PROFITS.

A study of the profits of the five chief packers from a variety of angles over a period of 18 months adduces the following summaries:

I. Total profits on all lines of business, as shown in the several annual financial statements of the packers and supported by the books of account, do not, in most cases, reflect with even reasonable accuracy the total corporate earnings of any given year. Therefore, in discussing profits hereafter, a large element of estimate must be taken into consideration.

II. Profits per head of cattle, as publicly reported by the packers from time to time, are understated in that these figures do not comprehend profits from all by-products of beef animals.

III. Profits, as shown on the books, covering specific animal products or groups of products in a given department, are not accurately stated in that

the packers have not an exact cost system upon which to base accurate departmental profits. Failing such a cost system, it is impracticable for the packers to determine the actual profit per pound on beef carcasses or other meats sold. In respect to nonlive-stock products and business, the profits as reported are more dependable on the whole, but instances have been found where these earnings are open to question.

IV. The rates of profit on the stockholders' equity or net worth, based on the packers' own figures of earnings, inaccurate as they are, have averaged nearly 20 per cent in the past four years, or nearly three times the rates which were being earned in the years immediately preceding the European war.

V. The packers' administrative expense accounts carry a great variety of legal, legislative, and political charges which can not be classed as legitimate costs of operation and which operate in a greater or lesser measure to depress total earnings.

VI. The total estimated profits of the packers have been from time to time materially lessened by the small profits or even actual losses sustained in entering new lines of business. These initial losses are usually overcome within a reasonable period, when the new business has been consolidated and established; but in view of the fact that the packers are continually entering new fields, the total profits must sustain a running burden on this account.

EVIDENCE SUPPORTING THE FOREGOING SUMMARY.

It is not possible in a summary of this nature to adduce all the evidence at hand supporting the general statements outlined above. There will be laid before the committee, therefore, only certain outstanding facts bearing on each.

I. TOTAL PROFITS ARE NOT ACCURATELY REPORTED BY THE PACKERS.

(a) *Inventory values.*—The pricing of inventories when their relative value to other assets is as great as in the case of meat packers has a most important bearing upon the determination of profit. The accounting rule for such pricing is "cost or market, whichever is the lower." On the bulk of products derived from slaughtered animals the packers have no cost figures available because no cost system has ever been developed for the packing industry. Accordingly, inventories must be priced on a market basis regardless of the fact that costs, if known, might require, according to the accounting rule, a lower valuation. When the commission attempted, moreover, to establish the accuracy of the market prices taken for inventory purposes on November 2, 1918, it met immediate difficulties in the case of many products where there were no independent market quotations available, and in the case of other products where the five packers, through their great selling power, virtually controlled the market.

If the packers either control the market or it is found that there is no established market, the reasonableness of inventory valuations can not be determined, and there is nothing to prevent one packer, or all packers, from so pricing their inventories as to show profits or losses as they may desire. Furthermore, the packers are in the habit of making deductions from the so-called market price of greater or lesser amounts according to the conservatism or optimism of the agent who fixes the inventory valuations. In short, so far as market prices governing inventories are concerned, the situation has been very well summed up by Mr. Chaplin, chief accountant of Swift & Co., who told the commission's accountants that the packers got these prices "out of their own heads." When a difference of half a cent a pound in the pricing of cured pork products may make a difference in the reported profit of a large company running into hundreds of thousands of dollars, the importance of the inventory procedure is realized.

That the packers have from time to time availed themselves of the power granted them to affect profits one way or another in this connection is evidenced by the following letter from a Swift subsidiary company:

DECEMBER 26, 1916.

Mr. LOUIS F. SWIFT,
Chicago, Ill.

DEAR SIR: Referring to your request that I look into items that could be charged off out of the earnings of the Western Meat Co., I would recommend that additional depreciation be written off to the extent of $40,000, which

would be about 3 per cent of the original value of their land, buildings, and machinery.

I would also recommend that they reduce the book value of the Peninsula Industrial shares that they are now carrying and carry them at $70 in place of $100. This would be a charge to their loss and gain of $30,000.

Would also recommend that they charge loss and gain, $15,000, and credit same to reserve for bad debts, deducting this amount when they make out their balance sheets from accounts receivable, and hereafter keep the reserve for bad debts at about that figure unless there would be some exceptional reason for increasing it.

Would further recommend that when the inventory is priced for December 30 that it be priced on pork products 1½ cents under the market, and, further, that they charge loss and gain, and credit a reserve for possible fluctuations in inventory, $50,000. This would not apply against any department, but it would be deducted from inventory when making their balance sheet.

Please see separate letter on Carterville.

Please advise Mr. Shugert by wire whether these recommendations are approved by you.

Yours, respectfully,

_____ _____.

Again, in the matter of those products where inventories are said to be valued at cost it was found that certain of Armour & Co.'s departments, notably gule, have been using the same cost figures for inventory purposes to-day that were established in 1907, 11 years ago. The commission has estimated that if current costs had been used the 1918 profit of the Armour Glue Works would have been increased by some $300,000 over the reported profit based on antiquated costs. Similarly, it was found that the Swift Glue Works were not accurately computing their costs for inventory purposes in the fiscal year 1918. It was found that the raw material costs of many departments using so-called "cost inventories" were founded on transfer prices from the slaughtering department, based not on cost but on estimated market valuation, thus precluding the true accumulation of manufacturing costs for inventory purposes. It was found that the Cudahy Packing Co. were including interest, selling expense, and administration expense in arriving at their costs for inventory purposes in certain departments. Correct accounting procedure requires that selling and administrative expense and probably interest should not be included in costs of goods manufactured and unsold.

In short, packers' inventories are not priced accurately in many instances, and, accordingly, packers' profits are, in respect to these instances, incorrectly reported. That this condition is due solely to the willfulness of the packers can not be charged for an instant. The packing business is such that uncertainty of profit due to inventory pricing has been and probably will always be a complicated factor.

(*b*) *Subsidiary companies.*—The packers do not always take up the proper share of the profits of their subsidiary companies in any given fiscal year. Unless this is done, the total reported profit is obviously incorrect. Swift & Co., in the year 1916, took up profits from their foreign subsidiaries, as follows:

Partial results only taken up:	
Compania Swift de la Plata	$4,230,736.69
Compania Swift de la Montevideo	1,173,416.74
New Patagonia Meat & Cold Storage Co	215,029.99
H. L. Swift Stall (London), loss	23,044.38
Curry & Co. (Ltd.), loss	438.44
Dividends taken up:	
Australian Meat Export Co. (Ltd.)	218,700.00
Swift Beef Co. (Ltd.)	58,320.00
H. A. Lane & Co	43,164.58
Total of above partial results and dividends	5,915,885.18
Complete results taken up:	
Swift Canadian Co. (Ltd.)	1,193,799.31
Other foreign companies, loss	98,321.86
Total of complete results	1,095,477.45
Grand total carried to summary	7,011,362.63

Thus out of a total of $7,000,000 only $1,000,000 represented complete results taken up.

Similarly Armour & Co., in the case of the Temple and Alvaredo companies—cotton oil mills in Texas—did not take up the profits of these companies on the books of the parent corporation for a period of nearly three years. When Wilson & Co. spread the assets and liabilities of their 100 per cent owned subsidiary companies as required by the Food Administration January 1, 1918, the net worth as shown on this consolidated balance sheet exceeded the net worth according to the annual published report of the same date by some $3,000,000, showing that the surplus and profits of subsidiary companies had not been accurately taken up by the parent company in prior years.

(c) *Surplus adjustments charged to profit and loss.*—The packers have repeatedly debited and sometimes credited the profit and loss account of a given year with items which properly should be debited or credited direct to surplus account. Thus Swift & Co. in 1915 appears to have charged the profits of the year with $6,500,000 for shrinkages in the value of stocks and bonds owned by the company. Armour & Co. charged $1,500,000 to the profit and loss account of the year 1916 to offset the capitalization of a certain subsidiary corporation; clearly this charge should have been to surplus. In the 1918 profit and loss statement of Armour & Co. are no fewer than 22 items, debit and credit, aggregating nearly $3,000,000, which are "surplus adjustments," and accordingly have no place in a statement of earnings for the year.

(d) *Excess depreciation.*—Swift & Co. has recently written up the value of its fixed assets by $30,746,046.88 on the ground that costs of duplication are now higher and that too much depreciation has been charged off in former years. So far as the latter statement is true, the profits of those former years have been understated. Morris & Co. in 1916 and 1917—both very profitable years—increased their depreciation reserve by sums equaling 10.5 per cent and 9.6 per cent, respectively, on the book valuation of fixed assets. As the blanket depreciation rate for all packing house property should hardly exceed 5 per cent, it would appear that Morris & Co. had understated their total profits by $1,055,000 in 1916, and by $980,000 in 1917. On the other hand, Armour & Co., by using a blanket rate of 3 per cent in recent years, has very possibly overstated its profits in this connection. In the case of its car lines, however, Amour & Co. was found to be figuring a high rate of depreciation after writing up the valuation of the cars some millions of dollars. As depreciation can only apply to cost, this procedure operated to improperly depress the profits of the car lines.

(e) *Income and excess profits taxes.*—The publicity methods of the packers in respect to income-tax items are open to criticism. Both in 1917 and 1918 they have officially reported their net profits after charging these profits with estimated reserves for income and excess profit taxes. Instead of showing their true earnings for the year, a part of which must be turned over to the Government, to be sure, they imply on their statement to the public and to your committee that they have only earned the lesser figure.

	Reported profits.	Income taxes.	Adjustments to include tax reserve.
Swift & Co.	$21,157,277	$11,828,165	$32,985,442
1917	34,650,000	10,000,000	44,650,000
Armour & Co., 1918	15,247,838	6,800,000	22,047,838

These figures have not been audited by the commission.

Swift & Co., in their extensive advertising campaign of 1918, have used the $34,000,000 profit figure both in text and chart form. This understates the earnings of the company by $10,000,000, or 23 per cent.

(f) "*Reserves.*"—In addition to reserves for income taxes, the packers are in the habit of charging inventory reserves and "general reserves" to the profit-and-loss account of any particular year, decreasing reported earnings to this extent. Such reserves, if warranted, to begin with, are in the nature of surplus reserves, and it is doubtful if they should operate to depress profits. Thus the Cudahy Packing Co., in 1916, reduced its earnings from $3,500,000 to $3,000,000 by an "inventory reserve," and in the following year charged Mr. E. A. Cudahy's salary of $50,000 against this reserve.

(*g*) *Divorcing subsidiary companies.*—Another factor which renders comparative statements of profits very uncertain is the recent action on the part of Armour, Swift, and Morris to divorce their South American subsidiaries from the parent company by organizing new companies altogether, in which the stockholders of the parent company receive new stock on the basis of their estimated equity in the business. Thus the parent company gets rid of all holdings in South American subsidiaries and, accordingly, does not need to report to the public or to the Food Administration or the committee the large returns of these companies in connection with its annual statement. As a matter of fact, the same management and the same control continues to exist, but the American parent company does not have to report profits increased by South American earnings. Swift & Co. has adopted the same procedure in respect to Libby, McNeill & Libby, its great canning subsidiary. The result, of course, will be to show a sharp check in the upward sweep of profits as reported by Swift & Co., but any attempt to measure earnings on this new basis against earnings of prior years, when the now severed companies were included, becomes impossible.

It is of interest to note in this connection that the quoted market value of Swift's common stock, comprising Swift & Co., Libby, McNeill & Libby, and the Swift International Co. (South America), was, in November, 1918, about $100,000,000 more than the quoted market value of Swift & Co., which contained the three companies within itself a year before.

(*h*) *Family companies.*—The question of the volume of packers' profits, if not their accuracy, should not be left without stating that members of the Armour, Swift, and Morris families all own large holdings in companies affiliated with the packers' business. These companies are often under the same general management and direction as are the parent corporation companies, and their profits are, in fact, if not in legal parlance, closely related with the companies now under discussion.

II. PROFITS PER HEAD OF CATTLE ARE UNDERSTATED.

The great packers have from time to time made public statements as to their profits per head of cattle slaughtered and sold. Waiving for the time being (see Summary Statement III) the important fact that no cost system is available to show these results accurately, it is found that in compiling the figures the several companies have not incorporated all profits derived from cattle by-products, but have optionally cut off the taking of such by-products at points which are not even identical as between the reporting companies. Obviously, "profits per head" must comprehend all profits derived from selling the several parts of the live animal. To make the cut-off on the basis of "primary by-products," or "edible products," or any point short of the ultimate return from all products, edible and nonedible, does violence to any theory of per-head profits and to the facts.

In connection with the Borland resolution, Armour & Co. submitted a profit per head of cattle for the fiscal year 1915 of $1.19. The profits of tanning, soap, glue, fertilizer, and many and many other cattle products were not included in making this computation. For the same fiscal year 1915 Swift & Co. reported their cattle profits per head as $1.28. This figure also failed to take into consideration many by-products and was not even in line with the Armour computation, as evidenced by the following letter:

[Private.]

CHICAGO, *June 23, 1916.*

MESSRS. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring to Henry Veeder's letter of June 13 to L. F. S. regarding Borland resolution in which Mr. Meeker is quoted as saying that Armour made a profit of $1.19 per head on cattle for a certain period (ours for same period, $1.28 per head). Mr. Chaplin understands that Armour's includes their canners—which ours does not—part of their sausage results, and has 10 cents added per head for good measure for by-products transferred at market prices, which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up and over $2 per head.

Mr. Chaplain didn't think there could be as much difference as this, but checked it pretty close and understands definitely that theirs includes all the above mentioned, which ours does not.

CHARLES H. SWIFT.

That profits per head as reported by the packers can not always be shown as small is evidenced by the following memorandum taken from Swift's files, which gives an average profit of $6.14 per head for Libby cattle in 1915:

SEPTEMBER, 24, 1915.

L. F. SWIFT:

Reviewing Libby results, eight months, 1915: Sold in the carcass through their markets, 26,753; N. B. profit, $1.25 per head. Cut in the Chicago cutting room, 97,310 cattle; N. B. profit, $7.61 per head. Cut at Fort Worth, 11,222 cattle; N. B. profit, $5.04 per head. Total, 135,284 cattle; profit, $6.14 per head. Assets employed, $5,174,000.

There was, of course, more capital than this employed if we take into consideration the capital invested in the slaughtering plants which were used in the slaughter of Libby cattle.

The above is a very satisfactory showing. Attention is called to the very large differences in the results on cattle sold through their markets and cattle cut. Their inventory of beef products is being carried at conservative prices.

III. PROFITS AS REPORTED FOR SPECIFIC LIVE-STOCK PRODUCTS AND DEPARTMENTS.

While the packers do not attempt to figure costs and profits on specific items like hams, or bacon, or beef rounds, they do undertake to segregate the more important animal products in certain specified departments and compute costs and profits periodically by departments. A given packing plant may be divided for operating and accounting purposes into 40 or 50 such departments, as follows:

Sections and departments, as found on the books of Armour & Co.—Beef section: Dressed beef, hides, oleo, fresh beef cuts, beef casings, beef curing, fresh beef products, dried beef, vinegar-pickled beef, beef tanks. Pork section: packing hogs, dressed hogs, fresh pork cuts, [illegible] sweet-pickled hams, boiled hams, barreled pork, dry salt meats, hog casings, vinegar-pickled pork, lard. Veal section: Dressed calves. Mutton section: Dressed sheep, sheep casings, wool and pelts. Mixed section: Canned meat, sausage, butterine, tallow and greases, sterilized meats. Specialty by-products: Leather, fertilizer, soap, glue, city fats, curled hair, ammonia, serum, pepsin, mincemeat, hair and bristles, hog tanks, gut strings, pork and beans, sandpaper, animal oil, beef extract. Other products: Lard substitutes, poultry, butter, eggs, cheese, canned fish, canned vegetables, canned fruits, grape juice, soda-fountain supplies, peanut butter. Services, etc.: Car lines, cold storage, ice manufacturing, options and trading, cooperage, box making, printing, tin shop, etc.

These departments are elaborately contrived and a vast amount of clerical work is expended in maintaining them, but the resulting costs and profits do not produce accurate results. The packers' accountants have repeatedly admitted that this is the case. The departments are nevertheless valuable to the packers in that they furnish a check on departmental efficiency and do give at last, from period to period, a relative curve which serves to indicate an upward or downward tendency.

The packers' present theory of cost is to consider the dressed carcass of the steer, sheep, and calf as the sole main product, the hides, pelts, fats, and all other material as merely by-products, credited to the dressed-carcass department at some arbitrary transfer value which may or may not have a relation to any ascertainable market value. These animals are not killed for their meat alone, but for their hides, pelts, fats, bones, and other material as well, and no theory which is built around carcass meat as the only main product can maintain itself against a dispassionate analysis of the facts. And no system of transfer values and investories based on uncertain, "market prices" rather than on costs, can be satisfactory or can be expected to reflect accurate departmental costs and profits.

In respect to hogs the primary cuts are tranferred out of a killing department on the basis of market value rather than cost, and the same general criticism accordingly applies thereto.

The above in brief are the facts as to the packers' cost-finding methods. The packers are not disposed to quarrel with it in theory, but as a practical matter they ask very naturally, "What else can we do? We have been experimenting with cost systems for decades without success and we believe, due to the enormous complexity of our business, that it is impossible to evolve one." Their point appears to be well taken. It may be that a scientific cost system is beyond the possibility of application to the packing business, that the present theory, crude as it is, furnishes executives with the only reasonable index of departmental results. But knowing the limitations of their costs and profits as they do, knowing that they can not actually determine the profit per head or per hundredweight, the packers, nevertheless, make public announcements and spend large amounts in advertising, in which they give to these figures all the dignity of absolute finality.

The above applies in a broad way to the statements made from time to time as to the profits per pound on beef and sheep and calves. These profits are compiled according to an untenable system and can not be regarded as authentic. Curiously enough the packers have not, according to the commission's knowledge, ever made any public statement as to profits per pound or even per head of hogs. They have turned public attention to beef profits which are usually shown as small, while pork profits have been kept altogether in the background. Swift & Co. shows a "hog-section" profit of about $15,000,000 in 1917 on their books, while the "beef-section" profits, as shown, are much less per unit.

There is still another side of the question of departmental profits which calls for comment. The operation of the present theory as carried on by the several companies is, from the comparative standpoint, open to question. In other words, there is no uniform method of applying the theory with the results that figures can not be compared between packers.

This lack of uniformity has been found by the commission to exist in respect to—

1. Distribution of indirect expense to departments.
2. Transfer values between departments.
3. Definition of departments and sections.
4. Application of branch-house profits to departments.
5. Application of car-route profits to departments.
6. Billing prices from departments to branch houses.
7. Taking of departmental profits on interplant shipments.

No two packers distribute their indirect and administrative expense burden on the same basis. For example, Armour uses sales, while Wilson uses sales plus pay roll plus investment. Transfer values on like products at a like time have been found to differ widely between packers. Swift's glue department and Wilson's glue department do not cover the same operations at all; the latter takes its glue jelly ready-made from the bone department, while the former takes the green bones direct into the glue department and proceeds to manufacture the jelly therein. Armour brings back all its branch-house and car-route profits to packing-plant departments on an arbitrary basis, while other packers report a portion at least of these profits as a separate item unconnected with the departments. Armour has one philosophy of billing branch houses, Swift another, with the result that departmental profits are seriously affected and can not be compared between the two companies. The treatment of so-called service departments (tin shop, power house, printing shop, etc.), varies widely between packers in respect to the basis of charging these services to the regular operating departments.

In short, it may be concluded that neither the packers' theory of costs nor their practical administration of that theory can convince a dispassionate reviewing body that profits obtained thereunder are accurate or comparable.

IV. RATES OF PROFIT ON NET WORTH HAVE BEEN HIGH.

It is believed that one method of determining the extent of packers' total profits which is at least comparable between companies is the rate of return on net worth—net worth, or stockholders' equity, being an accounting term which represents capital stock and surplus combined. Stated in another way, it means total assets less total liabilities to all outside parties, including bondholders. In figuring rates of profit on net worth, all complications due to the issue of stock dividends or the capitalizing of surplus disappear, and in theory at least a clean figure is established, provided good will is

eliminated for comparative purposes, which represents the stockholders' real interest in the business, against which it may be measured.

Even with this simplification only crude estimates can be presented. Profits as reported by the packers are known to be inaccurate, as has already been pointed out in Summary Statement I, and net worth is not strictly comparable between the five packers because of varying policies pursued in the valuation of fixed assets—lands, buildings, and machinery. Armour & Co. reappraised their properties and in 1911 added some $20,000,000 to the book value of these properties. Swift & Co. in 1918 added some $30,000,000 through appraisals. Morris & Co. claims to have never made any broad readjustments in this connection. When Sulzberger & Sons Co. became Wilson & Co., in 1916, extensive revaluations of fixed assets were made. The Cudahy Packing Co. is now in the process of reappraising its properties. As a result of these activities all the packers, except possibly Morris, have buried the original cost values of their properties, have conducted a more or less unequal policy as to depreciation reserves, have reappraised as of varying dates and on varying bases, and all attempts of the commission to establish a rough uniformity in the valuation of fixed assets for the five companies have been unsuccessful. Both the profit regulation of the Food Administration and the provisions of the various income and excess-profit tax laws have been and are hampered in this connection. It can not be too strongly urged that the public interest requires clear and equitable valuations of the packers' properties instead of the general uncertainty that now exists.

Both as to profits and as to net worth—so far as valuations of fixed assets affect net worth—serious questions arise; but, nevertheless, the commission presents the following tables showing profit, net worth, and resulting rates for the six years, 1912 through 1917, in the belief that these figures present a picture, such as it is, of the relative earning power of the five companies. Profits as reported by the packers have here been adjusted in respect to income-tax reserves, certain excess depreciation charges, surplus reserves, and various other items not properly chargeable against the earnings of a given year; but these adjusted figures are by no means final, but simply present what is believed to be a more accurate statement of profit than that reported by the packers themselves. Further analysis would undoubtedly reveal the necessity of making additional adjustments.

Estimated profit and rate on net worth.

	Armour.	Swift.	Morris.	Wilson.	Cudahy.	Total, 5 packers.
Estimated profits:						
1912	$5,702,000	$8,745,000	$1,813,000	$1,326,000	$1,129,000	$18,715,000
1913	6,158,000	9,449,000	1,917,000	1,364,000	1,329,000	20,217,000
1914	7,640,000	9,651,000	2,206,000	1,209,000	1,402,000	22,108,000
1915	11,156,000	23,387,000	2,321,000	2,464,000	724,000	40,052,000
1916	22,849,000	24,195,000	4,890,000	5,314,000	8,511,000	60,759,000
1917	27,137,000	47,235,000	8,012,000	8,319,000	4,935,000	95,639,000
Rate of estimated profit on net worth (capital stock and surplus) taken at beginning of fiscal year:						
1912	*Per cent.* 6.0	*Per cent.* 8.6	*Per cent.* 6.9	*Per cent.* (3)	*Per cent.* 7.1	*Per cent.* (3)
1913	6.1	8.7	6.9	(3)	7.8	(3)
1914	7.3	8.5	7.5	(3)	7.9	(3)
1915	10.2	19.8	7.5	(3)	4.0	(3)
1916	19.2	19.1	15.0	14.5	19.4	18.3
1917	19.8	33.4	22.6	29.6	23.6	26.8

[1] Figures known to be unreliable.
[2] Not including South American business.
[3] Rates not available.

Based on the above estimates, the following table showing excess of profit and profit rate in the war years 1915, 1916, and 1917, over the prewar years of 1912, 1913, and 1914, is presented. It is to be noted that the war rates were double and sometimes treble the prewar rates.

War versus prewar profits.[1]

	Armour.	Swift.	Morris.	Cudahy.	Total, 4 packers.
Total estimated profits, prewar years 1912, 1913, 1914	$19,500,000	$27,845,000	$5,936,000	$3,860,000	$57,141,000
Total estimated profits, war years 1915, 1916, 1917	[2] 61,142,000	94,818,000	15,223,000	9,170,000	180,353,000
Excess profit, war years over prewar years	41,642,000	66,973,000	9,287,000	5,310,000	123,212,000
Average profit on net worth:	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
Prewar years	6.5	8.6	7.2	7.6	7.6
War years	16.7	24.5	15.4	16.0	19.9

[1] Wilson & Co. not included because of uncertainty as to 1912 to 1915 figures.
[2] Armour & Co. South American profits not included in 1917.

Not only have the packers heavily increased their profit rates on net worth in the war years, but they have increased their rates on sales—this in the face of a great increase in selling prices, as well as raw material prices. The following table exhibits both the reported sales in dollars and the rate of profit of sales during the six years 1912–1917. These sales figures are not exact, as the packers nowhere accumulate gross sales on their regular books on account.

Sales and profits on sales.

	Armour.	Swift.	Morris.	Wilson.	Cudahy.	Total, 5 packers.
Reported sales:						
1912	$263,307,000	$300,000,000	$134,430,000	(1)	$90,440,000	
1913	349,897,000	400,000,000	165,909,000	(1)	104,409,000	
1914	354,801,000	425,000,000	158,983,000	(1)	109,121,000	
1915	380,157,000	500,000,000	177,040,000	(1)	116,162,000	
1916	479,969,000	575,000,000	219,781,000	$186,998,000	133,961,000	
1917	577,366,000	871,276,000	268,792,000	225,000,000	84,811,000	
Profits on sales:	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
1912	2.2	3.0	1.3	(1)	[1] 0.2	
1913	1.8	2.4	1.2	(1)	1.3	
1914	2.2	2.3	1.4	(1)	1.3	
1915	2.9	4.7	1.3	(1)	.6	
1916	4.7	4.2	2.2	2.8	2.6	3.6
1917	[2] 4.7	5.4	2.9	3.7	2.9	4.5

[1] Not available. [2] Not including South American profits.

V. THE PACKERS' EXPENSE ACCOUNTS ARE BURDENED WITH OUTLAYS WHICH ARE NOT STRICTLY OPERATING COSTS.

Broadly speaking, the high executives among the great packers have not drawn salaries which are out of line with current business practice. Among the largest salaries are the following:

Thomas E. Wilson	$125,000
F. E. White (Armour & Co.)	85,000
Nelson Morris (Morris & Co.)	50,000
Nelson Morris (St. Louis Stockyards)	25,000
A. Valentine (Armour & Co.)	85,000

The publicity expenses of the packers have been large, and during 1918 Swift & Co. report an expenditure of $1,800,000 on press advertisements alone. These advertisements are not in the nature of stimulating sales, but rather argument presented to the public. Armour & Co. is starting a similar campaign this year.

Considerable sums are expended by the packers to defeat legislation inimical to their interests. This is particularly true of the Borland resolution in Congress, 1916. Legal expenses are very heavy, as in the case of Mr. Veeder, of Swift & Co. Items were found on the books of Armour & Co. covering attorneys' fees in connection with bills in a number of State legislatures.

In fact, the packers' books are littered with items, large and small, often very inadequately vouched, which can not be construed as legitimate additions to cost, but the cost of which the public nevertheless pay.

VI. PACKERS' PROFITS HAVE BEEN RETARDED BY LOSSES IN ENTERING NEW FIELDS.

Mr. Valentine, of Armour & Co., told the commission's examiners that it cost his company $1,000,000 before establishing the soap department on a paying basis.

Mr. James P. Moon, of Swift & Co., writing in connection with Swift's invading the pineapple business, says: "I would recommend that we work our present business to show good results before putting any more money into it. No doubt we will have this on a profitable basis in an average number of years. It takes some time in all new businesses to quite get our gait and to know how to handle everything to the best advantage."

Wholesale grocers, in testifying before the commission's agents, have shown how the packers cut prices on entering a new grocery line, cutting far below cost sometimes, with resulting temporary losses, while competitors are being eliminated and control established.

It is a commonplace of business practice that, broadly speaking, a new line of business can not be made immediately profitable, and that losses must be expected over the organization period. Although the packers occasionally escape the operation of this law, due to their long experience and great distributing facilities, it is nevertheless true that profits in the meat business have time and again been used to carry losses in other lines of business pending the establishment of the latter on a paying basis.

Mr. LASATER. I have discussed the stockyards very briefly, and have given you some of the reasons why, from the producer's standpoint, we do not think the packers should control the stockyards; and I do not think that simply the transfer of the stockyards to a holding company would in any sense remove any of the disadvantages that we are now laboring under.

Mr. TINCHER. Do you think they ought to be controlled by the railroads?

Mr. LASATER. Beyond any question, the ownership of the stockyards should go with the railroads as a transportation function.

I would like to ask that you gentlemen refer to the report of the Federal Trade Commission on the meat-packing industry, part 3, chapter 1, section 1 and section 2; and I want to read this into the record. So far as I know, it is new matter as far as the committees are concerned. It consists of two or three letters, and I think they would probably give this committee some facts that are new. I refer to pages 11, 12, 27, 28, 29, 30, 31, and 32.

Mr. RAINEY. What hearing is that?

Mr. LASATER. This is the report of the Federal Trade Commission.

(The pages referred to of the report of the Federal Trade Commission are here printed in full, as follows:)

REPORT OF THE FEDERAL TRADE COMMISSION ON THE MEAT-PACKING INDUSTRY.

PART III.

METHODS OF THE FIVE PACKERS IN CONTROLLING THE MEAT-PACKING INDUSTRY.

Chapter I. Stockyards and related facilities.—Section 1. Introduction.

In part 1 of this report the commission gave the growth and extent of the dominion of the Big Five packers over the meat industry and their threatened dominance of the Nation's supply of foods other than meats. In part 2 the commission presented evidence of the interrelations and combinations of the

Big Five. In this part of the report, part 3, the commission presents the basis of the Big Five's control of the meat industry, which includes the advantages they have in the ownership or control of the principal stockyards and related facilities, their methods of influencing the prices of live stock, their dominating position in manufacture, and their dominion in distributon of meat products through their refrigerator cars, branch houses, and cold-storage plants. In this part their activities in the rendering business are also treated. The financial history of the Chicago stockyards and of other large stockyards in which the big packers are financially interested is given.

In a summary of the control of stockyards, or live-stock marketing facilities, by the big packers the principal points to be noted are:

1. Although there are 50 stockyards in the United States at which live stock are bought and sold, more than 69 per cent of the animals pass through 12 of the 50 yards, and the four largest yards alone receive more than 52 per cent of the cattle, 43 per cent of the hogs, and 51 per cent of the sheep.

2. The five packers, either jointly or separately, have an interest in 28 of the 50 market yards; they control the majority of voting stock in 22 of these yards, and are jointly interested in 15 of them. More than 84 per cent of the animals pass through the yards in which they have an interest.

3. Both before and since the big packers acquired this financial interest in stockyards they have received from the yards companies many millions of dollars in cash, bonds, and land as bonuses for locating packing plants at the yards.

4. Taken as a whole, only a small per cent of the present voting stock held by the big packers in the principal stockyards represents actual cash investment by them; the greater part of it was given to them by the yards companies and local citizens as bonuses or by the yards companies as stock dividends or through the organization of new companies to take over existing yards they obtained stock without equivalent cash investment. Moreover, the big packers have in numerous cases forced the original owners of the stockyards to relinquish control.

5. The earnings of the packer-controlled stockyards have sufficed to pay the large cash bonuses to the packers and to increase the outstanding capital stock from surplus earnings to many times the original capital paid in, and at the same time pay regularly reasonable cash dividends on the outstanding capitalization. The larger part of this increased capital stock has gone to the big packers as stock bonuses or gifts and as stock dividends.

6. There has been much complaint on the part of producers of live stock and live-stock commission men as to the inferior facilities and services which these packer-controlled stockyards give; there is also wide complaint against the high rates which these stockyards charge for their services—particularly the feed charges.

7. The big packers have used their numerous stockyards to make large profits and to increase their control over the meat-packing industry as a whole.

8. Although an increase in the number of stock-yards markets and meat-packing centers may be regarded as desirable, the big packers use their power to prevent the development of such additional market and slaughtering centers.

DESCRIPTION OF STOCKYARDS AND THEIR FACILITIES.

Sec. 2. Development of centralized markets.

Although commercial slaughterhouses were in operation in the United States before 1800, the first stockyards as a centralized market was not established until 1865, at which date the Union Stock Yards & Transit Co., of Chicago, was organized. Since 1865 development of large union stockyards as centralized live-stock markets has been an important feature in the evolution of the meat-producing and meat-packing industries.

In the days of Atlantic coast settlements, farmers and planters killed and packed in a crude way their own animals and took to market the products not needed for home consumption. * * *

It is noted here that the Big Five have majority stock control in each of these markets with the exception of Chicago. It was further stated, on page 15, that at Chicago, Kansas City, St. Louis, and Omaha—the four largest yards—more than 52 per cent of the cattle, 43 per cent of the hogs, and 51 per cent of the sheep are received. The big packers, again with the exception of Chicago, control each of these four largest markets.

The 12 large markets are equally important as slaughtering and meat-packing centers. Of the live stock slaughtered by interstate slaughterers in the country, 70.7 per cent of all animals, or 81 per cent of the cattle, 65.3 per cent of the calves, 78.5 per cent of the sheep, and 58 per cent of the hogs are slaughtered at these 12 centers.

A map showing the location of 50 stockyards markets and of the interstate slaughtering plants in the United States is inserted opposite this page. The proportion of big packer ownership of each yard or plant is indicated by colors. The relative importance of the various yards and plants is indicated by the size of the symbols, except that, for legibility, a minimum-sized symbol has been adopted which somewhat exaggerates the relative importance of the small independents.

Packer feeding-in-transit yards.—The exact extent of the big packers' interest in feeding-in-transit yards is not known. It has been found, however, that some of these yards are owned or controlled by them, such as the Laramie Stock Yards Co. at Laramie, Wyo., and the Union Stock Yards, of Lincoln, Nebr., controlled by Armour; Yankton Stock Yards Co., of Yankton, S. Dak., controlled by Swift, through the Sioux City Stock Yards Co.; and the Connellsville Stock Yards Co., of Connellsville, Pa., controlled by Wilson & Co. (Inc.). Swift and Armour proposed buying the Hodge stockyards at Fort Worth, Tex., which were important feeding-in-transit yards, but were advised by their attorneys that such a purchase might be construed as a violation of the antitrust law. The yards were closed later at the request of the packers. The packers control several feeding-in-transit stations in Iowa in connection with their concentration stations.

There is another class of stockyards companies controlled by the big packers, such as the South San Francisco Stock Yards Co., the Newark Stock Yards Co., and the Nebraska City Union Stock Yards Co., which are not public markets, but are used by the packers mainly as private concentration yards in connection with their slaughtering plants.

It is obviously to the advantage of the big packer to control feeding-in-transit stockyards. They buy a large proportion of the animals that are sent to the centralized markets. Those who control the feeding-in-transit yards have access to the shipping records relating to shipments made through their yards. Shipments may be and frequently are diverted at these transit points to different markets from those to which the live stock is originally consigned. This diverting is known to those who control the transit yards.

The acknowledgment of some of the advantages and the general attitude of Armour and Swift toward feeding-in-transit yards are shown in the following letters from their files:

UNION STOCK YARDS CO. OF OMAHA,
South Omaha, Nebr., January 20, 1916.

Mr. R. J. DUNHAM, *President*,
Chicago.

DEAR SIR: Mr. Van Tassel, of Cheyenne yards, has been in the hospital at Denver for some time, undergoing a pretty serious operation. Went out to the hospital to see him yesterday. While he is not at all well, he figures that in the near future he will be able to come to Omaha to discuss with me the sale of his grazing land in the vicinity of the Cheyenne yards, the situation there being very near the same as at Laramie, except that a good deal of the land he uses for grazing purposes he holds under lease. There was nothing said to indicate what he thought he ought to have for his land, transfer of leases, etc., but am a little afraid he is inclined to hold the figure a little high. This, however, will develop a little later on. There is one thing I would like to have you do and that is, ask Mr. Robbins to write to Mr. J. A. Munroe, vice president of the Union Pacific, about this Cheyenne yard proposition, as his doing so will make it a good deal easier to bring about the right kind of an understanding with the Union Pacific. They have been discussing among themselves the advisability of operating some of these yards instead of leasing them to outside parties, and they might take a notion to try it out at the Cheyenne yards.

If we can get hold of the Cheyenne yards and thereby control of Sidney and Green River yards, both of which Van Tassel now operates, it will give us a cinch on the feeding business along the Union Pacific, and as I look at it, make it easier for the railroad company in that there will be no soliciting by feeding yards to influence business to stop at any particular yards. This will enable them to operate their trains of stock to better advantage, and

they will have only one party to deal with instead of several, as at present. We would expect, of course, to maintain the same good service at all these yards that we are giving at the Laramie yards.

Have Mr. Robbins kindly mail me copy of his letter to Mr. Monroe.

Yours, truly.

E. BUCKINGHAM.

Personal.

JANUARY 25, 1916.

Mr. J. A. MUNROE, *Vice President,*
Union Pacific Railroad, Omaha, Nebr.

DEAR SIR: We are in communication, through Mr. Buchingham, with Mr. Van Tassel, of the Cheyenne yards, who has been in the hospital for some time, we understand, and may be disposed to part with his feeding yard holdings on certain conditions.

We are disposed to take over his Cheyenne holdings, and probably those of his in the other yards which go with them, and would like to do so and build these places up to the very highest possible standard, which, with our experience in this line, think we are better prepared to do than anyone else.

We also presume that the operation of all or most of these feeding yards by one interest will eliminate certain adverse influences and enable us jointly to arrange for stopping of shipments where it can be done to best advantage from an operating standpoint.

I hope you can see your way clear to use your good offices in connection with the matter.

With kind regards, I am,

Yours, truly,

———,
Vice President.

MAY 7, 1912.

Mr. G. B. ROBBINS,
Armour & Co., Union Stockyards, Ill., Hodge Yards.

DEAR SIR: The following is an extract of telegram received from Mr. J. B. Googins, Fort Worth, Tex., yesterday, viz:

"Of Oklahoma City receipts to-day 1,400 cattle were tributary to our market; they went around us through Hodge. There are in Hodge yards to-day 20 cars beef cattle also billed for Oklahoma City. Oklahoma City buyers not buying any cattle here to-day. Hodge yards is a bad thing for this market, especially located as they are, one mile from us. Many cattle go through there for Oklahoma City and other northern markets directly from our own territory that we don't even get a chance at."

I presume we all agree that the Hodge yards are a detriment to the Fort Worth Stockyards Co., and it seems as though something should be done toward having them abandoned by the Katy.

In line with this, I asked Mr. Veeder if there was any legal objection to the Fort Worth yards acquiring these if necessary, and I inclose you herewith a copy of letter from him, together with the copies of letters he refers to, which are all self-explanatory.

I know how you feel regarding the location of the dipping vats at Hicks, and I am taking the liberty of writing this letter to you. If you agree that something be worked out with the Katy which will eliminate this competition, you no doubt can get the stockyard's local attorney's opinion on this matter, and I would be glad to know your views.

Awaiting your reply.

Yours, respectfully,

H. A. CHETHAM.

JUNE 20, 1917.

Mr. LOUIS F. SWIFT. Mr. Harris reports this morning that an interview with Vice President Haile and Vice President Webb, both of the M., K. & T. Railroad, that Mr. Webb, the operating vice president, was given instructions to abandon and demolish the Hodge stockyards at once.

This will do away with the competition we have had at the gate of the Fort Worth yards for all these years.

In consideration of this, Armour and ourselves have agreed to give the M., K. & T. our shipments on the fast train from the Fort Worth plant Tuesdays and Thursdays of each week, as long as the rate and service via the M., K. & T. are equal to that of the other lines.

I feel quite sure you will be pleased to know that this competition is going to be discontinued.

I am sending a copy of this letter to Messrs. Dunham, Donovan & Googins.

A. R. FAY.

CIRCUMSTANCES OF PACKER ACQUISITION OF YARDS.

SEC. 8. Reasons for acquisition of yards.

The big packers make the claim that they acquired control of stockyards and built new ones in order to provide adequate facilities for marketing live stock. In an article prepared by them, they said:

The producers of the live stock were unable and did not provide such facilities for caring for their product from the time of the arrival at the market until sold, and the railroad companies did not provide such facilities, so that it devolved upon the packes, at enormous cost, to establish and maintain the stockyards. * * * The packers did not acquire the stockyards and establish new ones at new centers in order to secure any peculiar or mysterious advantage over the industry, but it had to be done in order to secure proper facilities for accommodating the business and furnish fair treatment to the shippers.

The principal reason that the packers have become interested in the yards has been to provide such facilities and extend them as the business expanded. It is doubtful whether such efficient market places would ever have existed had they not been established in this manner.

Swift & Co., in a statement of July 23, 1917, said:

As a matter of fact the principal reason why packers have become interested in yards at all has been to develop them to the highest point of efficiency. When a live-stock market is young and undeveloped the opportunity to make profits is hardly sufficient to induce private capital to enter the business; it has, therefore, devolved on the packing companies to develop the yards in some cases, so as to establish a market which will attract shipments and to provide facilities for the proper handling of animals. And this the packers have done.

In refutation of this claim the stockyards' record show that, in general, private capital did go in and establish adequate and successful stockyards before the big packers subsequently gained control over those yards. This control passed to the big packers not because returns on the investments were unsatisfactory to the original owners, nor because they had not properly equipped and maintained the yards. The big packers acquired the yards because they were profitable, and because such ownership and control gave them private advantage in the industry.

Formerly there were several successful stockyards markets which had apparently kept pace with the development of the meat-packing industry. A number of these yards companies, being ambitious to expand their business, gave the large packing companies gifts or bonuses as an inducement to establish packing plants at their yards. As the five big packing companies gained a predominant position in the meat-packing business, they began to use their power as the principal supporters of the markets at the large stockyards to have the original owners and organizers of those markets cede to them the control of the yards. The original owners in many cases unwillingly relinquished their control to the packers.

As a result of the policy of first receiving gifts from the yards companies and then obtaining from the original owners an interest in the yards, the big packers gained control of most of the important stockyards of the country. They have established a few stockyards. But of the 28 market stockyards in which one or more of the Big Five are interested not more than four of them were established by the big packers. At the 12 large markets only 2 of the yards, St. Joseph and Oklahoma City, were established by any of the big packers. None of the big packers had anything to do with the establishment of the stockyards at either of the four largest markets—Chicago, Kansas City, Omaha, and St. Louis.

The complete corporate records of the principal stockyards companies have not been located. In some cases parts of the records were destroyed; in others they were not to be found by the commission. But a study of such records as are

available shows that the big packers have in the past received gratis more than $9,000,000 from yards in the form of cash, land, buildings, and bonds, in addition to the many more millions of stockyards stocks which they received free of cost. Practically all of these gifts were paid for out of the large earnings of the stockyards companies.

SEC. 9. Nonstock gifts from yards.

Probably the big packers have received larger nonstock bonuses from the Chicago Stock Yards than from any other one yard. Swift & Co., Armour & Co., and Morris & Co. from 1892 to 1907 received $3,000,000 in bond bonuses from the Chicago Stock Yards. In 1900 Schwarzchild & Sulzberger Co. received $540,000 in cash bonus. In 1900 the Anglo-American Provision Co. received $200,000. In 1902–3 the G. H. Hammond Co. got $500,000 in cash. Just how much and what the big packers have received from the Chicago Stock Yards since 1907 is uncertain, as shown in Chapter V.

A joint legislative committee of the State of Kansas reported that testimony up to 1907 showed that the Kansas City Stock Yards Co. had given to various packing companies bonuses amounting to about $2,400,000 in cash and in stock. The commission was unable to locate the records of the Kansas City Stock Yards Co., but it secured evidence from other sources which shows that this stockyards company has given to the big packers the following nonstock bonuses: To Morris & Co. in 1904, $575,000 in cash and a site for a packing plant; to the Cudahy Packing Co., $500,000 in cash and a site for a packing plant valued at $129,000; to Sulzberger & Sons Co. in 1898, $200,000 in cash and a packing-house site valued at $35,000.

The Union Stock Yards Co., of Omaha, in 1887 gave to Swift & Co. $100,000 cash. About 1890 the Cudahy Packing Co. received a site for a packing plant from the Omaha Stock Yards Co. And in 1900 Armour & Co. received from that yard's company 20 acres of land.

The St. Louis National Stock Yards Co. in 1893 gave to Swift & Co. $100,000 cash and a site for a packing plant. The same year Morris & Co. received a valuable tract of land from the stockyards. In 1901 the stockyards company gave to Armour & Co. 20 acres of land, and in 1903 Armour received $388,000 in cash from the yards.

The St. Joseph Stock Yards Co. gave to Morris & Co. in 1897 $260,000 cash and a site for a packing plant. Also, in 1897 this stockyards company gave to Swift & Co. $90,000 and a site for a packing plant. The next year Swift & Co. received an additional $390,000 from the St. Joseph Yards Co.

The Fort Worth Stock Yards Co. in 1902 gave to Armour & Co. $300,000 of the yards' bonds and 21.8 acres of land. At the same time Swift & Co. received from the Fort Worth yards $300,000 of the yards' bonds and a site for a packing plant.

The Sioux City Stock Yards Co. gave to the Cudahy Packing Co. real estate and building valued at $100,000. In 1901 that stockyards' company gave to Armour & Co. 12½ acres of land.

The following letters show that the big packers were aggressive in demanding bonuses and other concessions from the stockyards' companies. These letters do not disclose evidence of a desire on the part of the packers to secure stock in stockyards for the purpose of providing better facilities. On the other hand, they do show the power of the packers to force stockyards' companies into granting advantageous concessions.

In 1905 Armour and Swift interests purchased about 3,500 acres of land across the river from the present Kansas City stockyards, located in what is now known as North Kansas City. It has been persistently rumored, and not without foundation in fact, that this land was secured either for the purpose of establishing new stockyards there or to threaten to do so; the latter as a means of securing concessions from the Kansas City Stock Yards Co.

Mr. LEAVER. This letter, under date of May 7, 1912, addressed to Mr. G. B. Robbins, Armour & Co., Union Stockyards, Ill. It is signed by H. A. Cheatham. [Reading:]

DEAR SIR: The following is an account of telegram received from Mr. J. B. Gaulding, Fort Worth, Tex., yesterday, viz:

"If Oklahoma [illegible] cattle were tributary to our market; they went [illegible]. There are in Hedge yards to-day 20 cars beef cattle and 5 cars of Oklahoma stuff. Oklahoma City buyers not buying any cattle here to-day. Hedge yards is a bad thing for this market, especially

located as they are, 1 mile from us. Many cattle go through there for Oklahoma City and other northern markets directly from our own territory that we don't even get a chance at.

"I presume we all agree that the Hodge yards are a detriment to the Fort Worth Stockyards Co., and it seems as though something should be done toward having abandoned by the Katy."

That is the Missouri, Kansas & Texas Railway.

"In line with this, I asked Mr. Veeder if there was any legal objection to the Fort Worth yards acquiring these if necessary, and I inclose you herewith a copy of letter from him, together with the copies of letters he refers to, which are all self-explanatory.

"I know how you feel regarding the location of the dipping vats at Hicks, and I am taking the liberty of writing this letter to you. If you agree that something be worked out with the Katy, which will eliminate this competition, you no doubt can get the stockyard's local attorney's opinion on this matter, and I would be glad to know your views.

"Awaiting your reply,

"Yours, respectfully,

"H. A. CHEATHAM."

Mr. LOUIS F. SWIFT. Mr. Harris reports this morning that an interview with Vice President Webb, both of the M., K. & T. Ri R., that Mr. Webb, the operating vice president, was given instructions to abandon and demolish the Hodge stockyards at once.

This will do away with the competition we have had at the gate of the Fort Worth yards for all these years.

In consideration of this, Armour and ourselves have agreed to give the M., K. & T. our shipments on the fast train from the Fort Worth plant Tuesdays and Thursdays of each week as long as the rate and service via the M., K. & T. are equal to that of the other lines.

I feel quite sure you will be pleased to know that this competition is going to be discontinued.

I am sending a copy of this letter to Messrs. Dunham, Donovan, and Googins.

A. R. FAY.

Mr. VEEDER. Where was that letter to be found?

Mr. LASATER. It is from part 3 of the report of the Federal Trade Commission, section 1, at page 29.

The packers have dwelt upon the necessity of their providing stockyard facilities for handling their business.

The value of the Hodge yards to the Texas producer of cattle were these: We have produced and still do produce more cattle than are killed at Forth Worth. From my section of the State, the south and west Texas, these Hodge yards were a favorite feeding place. It was about a day's run, or 24-hour run, and time for your first feed. We could unload there and our cattle would be undisturbed and go on to any market without having had a packer bid on them. We have found out it is never to our interest to receive a packer bid unless the cattle are sold. The correspondence just read shows the means they used to deprive us of this facility that we already had at our command, and it was entirely satisfactory to the railroad; and the point I would like to impress on this committee is this, that as long as an aggregation of packers control the volume of business they do control that no small shipper can command from the railroads equal service to these packers. What the packers have to offer in volume of business commands special service from transportation companies, and they can and do use this club to force better service than the small shipper can command.

The report made by the Federal Trade Commission on the movement of packer cars and the movement of independent cars and railroad-owned cars confirms that, and as long as you gentlemen per-

mit that discrimination to exist, you can not have us succeed in creating new markets for slaughter of cattle though it is economically sound to decentralize the slaughter of cattle to a marked degree from present conditions.

Gentlemen, I would like to ask you to permit me to discuss this situation from the standpoint of national survival. I want to ask you to allow me to read into the record a short statement of only a few lines made by Mr. Henry Wallace, of Des Moines, Iowa, before the Senate committee.

Mr. JACOWAY. Please identify the report you are reading from.

Mr. LASATER. It is on Senate bills 2199 and 2202, given in support of the Kenyon-Kendrick bills. This is found on page 78 of that report, and Mr. Wallace is the party testifying. [Reading:]

In 1902 we marketed at these seven central markets—and they can be taken as typical of the markets in the country at large—111 cattle per 1,000 of population; in 1907 we marketed 107 cattle per 1,000 of population; in 1908 we marketed 97 cattle per 1,000 of population; and so it runs down; 98 in 1910, 92 in 1911, 85 in 1912, 81 in 1913, 72 in 1914, and 79 in 1915. Then it begins to increase in response to the war demand and in response to the appeals for patriotism.

In 1916 we marketed 91; in 1917 we marketed 109; in 1918 we marketed 124; and in 1919, based on the receipts of the first seven months of the year, we marketed 107 cattle per 1,000 of population.

I shall attempt to show you, gentlemen, that this increase since the war started is not an increase of cattle, but that we are drawing upon the breeding herds of the country to get that increase. I do not think we can escape that conclusion.

Mr. WILSON. Why were they selling these cattle? Was it because they were getting an unusual price for them?

Mr. LASATER. No, sir; the big runs were made in 1917 and 1918, sir, largely at a loss to the cattlemen who produced these cattle. That same condition has not been a continuous performance, but I say largely so; and, as will be shown, and has been shown before this committee, the markets the past fall were most unfavorable.

This is quoting from the Department of Agriculture Yearbook for 1918, on page 290 [reading]:

The peak in cattle production in the United States in proportion to population was reached in the census year 1900. In that year there were 89 head of cattle of all kinds per 100 of the human population. In 1910 there were 67, and the number was 64 on January 1, 1919. The number of cattle other than dairy cows was 67 per 100 people in 1900, as many as the number of all cattle 10 years later. Other cattle decreased to 45 per 100 people in 1910 and stood at 42 on January 1, 1919. There has, therefore, been a marked disparity between our increasing population and our beef supply since the year 1900. In fact, at the opening of the war we had actually ceased to play an important part in the export of fresh-beef trade.

1900, 89 head, all classes, per 100 population.
1910, 67 head, all classes, per 100 population.
January 1, 1919, 64 head, all classes, per 100 population.

Beef cattle and dairy cattle.

Year.	Beef.	Dairy.	Total, all classes.
1900	67	22	89
1910	45	22	67
1919	42	22	64

An important source of meat and dairy products for Europe was obtained by actual sacrifices on the part of the American people. The moral effect of these secrifices on the people of England and France was of the utmost importance.

Now, I would like to show just here that in all the lines of meat production, beef is the one that shows a marked decrease this year; that is, the amount of beef in storage compared with that of 1919 and 1918.

Beef, frozen, shows a decrease of 14.5 per cent for 1919, a decrease of 13.18 per cent for 1918; beef, cured, shows a decrease of 4.3 per cent for 1919 and 3.7 per cent for 1918. As a result of packer and packer controlled governmental agencies you have a decrease continued over a space of 20 years of the production of that class of live stock most vital to national welfare, namely, cattle.

Mr. RAINEY. What are you reading from there?

Mr. LASATER. This is the Market Reporter of February 21, 1920, page 118.

I would like to give you some statistics on the average production of corn, which will take but a moment. This is also taken from the reports of the Department of Agriculture for the States of Iowa, Nebraska, Kansas, Illinois, Missouri, Indiana, and Ohio—the average for the years 1915, 1916, 1917, and 1918 was 29.75 bushels.

For the States of Texas, Louisiana, Mississippi, Arkansas, South Carolina, North Carolina, Alabama, Georgia, Tennessee, Kentucky, and Florida the average was 19.07 bushels per acre.

Now, I state that you can not build a successful agriculture on a production of under 20 bushels of corn per acre. I know of no way that these people living in the States mentioned can rebuild their soils other than through handling more cattle on them. I know of no nation in the past where the people who took the fertility from the soils to below the point of efficiency ever rebuilt the soils themselves. They have been superceded by people of simpler wants and in the ages that followed nature helped cure man's mining of the soils.

I think, gentlemen, I would like to make a brief statement of what I think is needed at the hands of you gentlemen to cure the situation that we are complaining of, and of which the country is complaining. As I have stated, I do not think a transfer of the stockyards from the packers to a holding company will help us. I think that the stockyards must be treated as a transportation function and handled by the transportation companies of the country, that is, the stockyards, we will say, of a certain magnitude, say that handles over 100,000 cattle.

I think the refrigerator cars should be at the command of every shipper at the same rate and the same service. That can not be done as long as the packers are permitted to own their own cars and have the volume of business to cause the railroads to give them better service than the small shipper can get. That they have been doing that has been shown by the Federal Trade Commission.

I think that the packers have to be divested from the ownership of these cattle-loan companies. I think it is absolutely essential for the well-being of the Nation that the men who feed you be able to command their financial assistance through other sources than the men to whom they sell their product.

Mr. JACOWAY. Mr. Lasater, would you point out how that could be done, giving us your idea of it?

Mr. LASATER. Yes, sir; I will be glad to do that.

Of course, it can not be done in 30 or 60 days, but, say, if a law should pass that would require this divestment within 12 months, and that a practical working system of a cooperative of finance should be passed that would enable, we will say, the live-stock organizations of the country to finance themselves, I think that could be done. I recognize that safety has to be assured where credit is made reasonable. The thing that we need and the thing that consumers of this country must have is cheaper production. I make the statement that prior to the war, under normal conditions, we will say 15 years prior to the war, that on an 8 per cent basis—and the Government says the produce of the country as a whole was paying more than 8 per cent—50 per cent of the total cost of production was interest charge. I do not think any nation can survive and have that situation perpetuated. I know of no other nation where the producers' interest charge is higher than the manufacturing or commercial interests pay. I do not think that conditions should exist so in the richest country in the world, and I believe that is our boast. We have the greatest banking capital of any country in the world.

Mr. VOIGT. May I ask you a question or two there? I have been thinking about that subject of separating the packers from other lines. You say that the packers should be divorced from the money-loaning business so far as cattle are concerned?

Mr. LASATER. Yes, sir.

Mr. VOIGT. Here is Mr. Armour, of Chicago, we will say, who owns stock in the Armour Packing Co. Would you advocate a law which would prevent him, as an individual, from owning stock in a bank in Texas?

Mr. LASATER. What I would like to see would be illustrated if you would allow me to relate an incident of some years ago. At a meeting of the packer bankers at San Antonio, Tex., this discussion took place: There were a number of these cattle-loan company representatives present with us, and also Mr. Pouslan, who was vice president of the Old Colony Trust Co., of Boston, as he is to-day, and we were disposed to josh these packer-loan-bank people because of the way they handled the cattle business. They got out optimistic propaganda and induced us to borrow money and put cattle in the feed pens. It was merely "joshing" them, but it worked, because they got us to buy the cattle and to put them in the feed pens, and after that was done they knew they were en route for the slaughter houses. Mr. Pouslan undertook to make this explanation of why the packer loan companies were an essential. "Now," he said, "of course, their capital stock is not much, but we feel this way about it, that the packer would not permit any paper that goes through one of their loan companies to default. Therefore, we limit our purchases-of-cattle paper to that handled by the packer institutions."

The Old Colony Trust Co. is one of the old, well-established banking institutions of the country, and when they say to the producer of the country, "We can not handle your paper unless you go to the man who buys your product," I think, gentlemen, there is some legislation needed.

It has been shown here that the packer has brought pressure to bear on the country to have evidence favorable to the packer appear before this committee. It has been largely by men who are indebted to the packer and packer banks, and by banks, who for reasons not apparent desired to and did cooperate with the packer as against the interest of the producers.

I will refer to Mr. Lee Russell's testimony before the Senate Committee on Agriculture last fall. Mr. Russell, I know, stated the facts. He is a very large operator in cattle, and he said he was the head of a commission company. I believe he is the president of a commission company; I think that was his statement; and also an officer in one of the cattle loan companies. Whey they first organized this company it was organized by a bunch of Texas and Oklahoma people. They employed a man out of Swift's office to sell their paper. They had poor success. Later they got Cudahy and Armour to take an interest in their company, sent the same man East, and had no trouble in selling their paper, and my recollection is that they were handling about $10,000,000 of cattle paper and doing it successfully and had no trouble whatever.

I do not think that we, as producers, should be limited in our credits to the men we sell our product to. I do not think that the consumers of the country can afford to have us in that position, and it certainly can not enthuse the producers of the country and increase production for that condition to continue.

Mr. TINCHER. Do you know of any incident where they have directed the sale of cattle by reason of one of the cattle-loan companies having the loans?

Mr. LASATER. No; I do not know that; and I want to call your attention to the fact that that would not likely occur. I am not here saying that the packer has not reasonable business acumen; I think he has. I think he has been ruthless many, many times in the exercise of his power—I think that can be shown—but I do not think, after putting himself in the position of advantage that he occupies to-day that he would dare openly be unfair to the man he was loaning money to. He is going to take care of his interest beyond any question, and he will keep that paper in good commercial shape. I think that is right, and I think it has been shown before the Senate committee thoroughly that this was a force that the packer could use to prevent any opposition from the live-stock producers to their present methods.

I am opposed to any bunch of men having that power over any part of our people.

Mr. RAINEY. Would it not be injurious to the packers to call these loans, Mr. Lasater?

Mr. LASATER. I am not afraid of the packer calling his loan, sir, and doing it unfairly. I am not afraid of that at all. But just take the situation that has existed this fall, that the packer forced upon the country to offset and to intimidate Congress and the producers of the country from the attempt to get this legislation; and think of the force and the way that force operated in bringing people of the country here to assist in further riveting the chains upon the producers of the country. That is wherein I object to the packers' power as money lenders.

Mr. TINCHER. Suppose we pass legislation that is fair to the producers, not saying anything about the financial arrangement. Then, how would they misuse their financial connections? What worries me a little bit is, you suggest we divorce the packers from the financial institutions. Mr. Colver made that suggestion the other day, too. Neither of you have suggested a substitute for the producers.

Mr. LASATER. If you will make it possible for us to organize in cooperative associations, to create some channel by which we can get our paper—make it as safe as you like, because we have good paper to-day—and have it so we can get action on that paper on the basis of manufacturing and commercial paper, with our Federal reserve systems, and we will make ourselves independent of the packer. But in the situation as we have it to-day, with these centralized markets, with the influence of commission men and commission houses and the packer banks, it would be very difficult to get these cooperative institutions to working. That would be very difficult indeed. You have got, I think, to remove the dread of that club by law, before we can make cooperative associations a success.

Mr. TINCHER. That is very interesting to me. You suggest removing it by law?

Mr. LASATER. Yes, sir.

Mr. TINCHER. During the interval that you are establishing the cooperative associations, what is going to happen?

Mr. LASATER. It can not be done in 30 or 60 days, but I think if you give us 12 months or two years that we can do it. I do not think any legislation you pass will correct this great evil or work a revolution immediately. But I am in hope of getting legislation that will permit us throughout the producing country to put up small slaughterhouses and put us in shape to get our product to the great consuming centers at the same cost and get the same service that the packer commands to-day or will command.

I know the packer has not an economic system. Its concentration is not economic from the standpoint of a live-stock slaughter. Before the committee of the Senate, a letter passing between two of the Swifts was introduced showing the difference in the cost of meat slaughtered at South St. Paul and shipped refrigerated to Chicago, and the same cattle going through South St. Paul and slaughtered in Chicago. They make a difference of 29 cents a hundred in favor slaughtering at St. Paul. That on a 1,000-pound steer, dressing at 56 per cent, would make $1.62 per head. Now, that is more profit than the packer shows, almost double the profit he admits he makes on the entire steer; and that is only a 300-mile run.

Mr. TINCHER. Getting back to the divorcing of the packer from any financial institutions that cattlemen use, I consider that quite an important proposition that you raised. Your argument in favor of doing that is this; as I understand it, that out in my district lives a cattleman that borrws annually a lot of money—and he does live out there—and he got an invitation to join the packers' special train and go to Atlantic City last spring, and he felt so good about it that he dropped off at Washington on the way back and testified before our committees and tried to induce me not to vote for any legislation affecting the packers. That would be an evil by reason of the financing system, in your judgment. But when we pass a law to say

to the packer, "You must not loan that fellow any money; you can not be connected with a financial institution to let him have money, we are going to ruin that fellow"—he is all right; just weak—"unless we fix some other place and source from whence he can borrow money." The Federal reserve banks will not do, because they have a limitation of only $15,00 to one man, while this fellow borrows perhaps $200,000 or $300,000 a year.

Mr. VEEDER. Have you any evidence on the incidents of that book?

Mr. TINCHER. I just imagined there was something of that kind. I know the fellows that were here.

Mr. LASATER. Mr. Tincher, I do not think there is any easy way out of this situation. I am not advocating an easy way. I do not think that we could come here and get you to pass any laws, or that we will ever get to a point where we can govern ourselves without trouble. But I do think we have got to a point now where we have go to think about putting the production of this country on a sound economic basis that will appeal to the average man of the country.

Mr. RAINEY. Mr. Lasater, the other day when this question was up, our chairman, Mr. Haugen, suggested that the Federal Reserve Board instructed the banks to call loans. Is it not true that when the loans were being called by the Federal Reserve that these cattle-loan companies instead of calling the producers' loan put up additional collateral to make the paper of the producer good and were of benefit to the producer, or were any of the producers' loans called by the cattle-loan banks that you speak of?

Mr. LASATER. I will state of my own personal knowledge that I know of none. I would like to state in this connection, that the whole western country in 1918 were suffering from a very severe drouth. Many of us were hard pushed; we had to command extra sums of money or lose cattle. The Government thought it was to the public good to see that these cattle were preserved. This is about what took place. Of course, many of us thought we were entitled to direct loans through the war finance corporation.

Mr. TINCHER. That was the War Finance Board?

Mr. LASATER. The War Finance Board. They were loaning to manufacturers direct, but the banking interests of the cattle country, largely at St. Louis and Kansas City, opposed that. So, what was done was this: They said to these cattle-loan companies and to the banks throughout the country, "You make this loan at 8 per cent, and you can come and we will rediscount the paper at 6 per cent. In other words, we will give you a 'rake-off' of 2 per cent." In countries where the producer is considered and the business usages and customs are made for the average man—I mention France as an illustration; the same prevailed in Germany—the difference between the rate charged the farmer and the Bank of France rate was never more than 1 per cent and frequently one-half of 1 per cent. This under prewar conditions.

In an investigation made by the Aldrich committee of the banking institutions of Europe, I recall reading this statement. Mr. Aldrich asked one of the officials of this Agricultural Bank of France if he thought that system they had in operation was safe. The reply was: "The Bank of France has never lost a dollar."

Mr. VEEDER. May I ask that if during that entire drought when the cattle-loan companies passed on the paper and it was redis-

counted at 6 per cent and the cattle-loan companies got 2 per cent, did not the cattle-loan company in exchange for them guarantee that paper all during the drought? Did they not guarantee that paper they passed on?

Mr. LASATER. Just like any other collateral, I suppose, they stood behind the loan when it went to the bank. I think that is a fact. But you take the channels open to the live-stock producers to-day, and that margin of 2 per cent is exacted.

Mr. VEEDER. That was not special on that occasion. Is not that the regular rate that is charged for guaranteeing paper by the cattle-loan companies?

Mr. LASATER. That is the usual rate.

Mr. VEEDER. No extra charge or extra rate was levied during the drought; is that correct?

Mr. LASATER. As far as I know, that is correct.

Since this has come up, let me make this statement: In the early days of my connection with the Food Administration I was sent by Mr. Hoover through the West to investigate live-stock conditions. I reported on the situation, and one of the conditions I ran into was that the banks in the territory—we will say it started, I think, in Kansas City—but the understanding was that through the live-stock section that the rates would be raised. I think the prevailing rates then ran from 7 to 8 per cent in the different sections.

I recommended to Mr. Hoover that he take the matter up with the Federal Reserve Board and request them to request the different member banks to hold down the rates on live-stock paper, as it was essential to the well-being of our Nation that the production be continued and increased. He gave me a letter to the chairman of the board. The chairman was not in and I saw Mr. Walburg and presented the case to him. Mr. Warburg acted on the request and did write these letters to the member banks throughout the West, and the result was that that rate was maintained certainly for two years, anyhow.

As I stated to Mr. Tincher, I do not think it is possible to do business without risk but it is entirely practicable to have a Government supervised agency that can act as an intermediary between cattle producer and owner of funds to loan that could guarantee against loss and supply producers with funds at a much lower rate than they now command.

Mr. BORDERS. While you are on this question, so that the committee may understand. You speak of a "rake off" of 2 per cent.

Mr. LASATER. I did not term it a "rake off"; I termed it the margin between what they got and what they rediscounted at.

Mr. BORDERS. The cattle-loan companies guaranteed the papers?

Mr. LASATER. I suppose that is the case, sir, with any paper that a member bank presents for discount through a reserve bank.

Mr. BORDERS. Is it not necessary for some one to be on the job and inspect the collateral back of the loan on the cattle; and is not that the function of the cattle-loan companies; is not that their purpose?

Mr. LASATER. I think that is the purpose and the function.

Mr. BORDERS. Let us understand that.

Mr. LASATER. But, what I think, sir, is that a charge of 33⅓ per cent increase is rather dear for performing that function. That is my position.

Mr. BORDERS. Will you also give to the committee, if you have it, the amount of business done in this country by cattle-loan companies in which the packers are not interested at all?

Mr. LASATER. I can not give you that, sir.

Mr. BORDERS. It is very large, is it not?

Mr. LASATER. I would think, sir, that in the great producing centers of the country, I would say that 70 per cent of the loans are handled either by stockyard banks or by loan companies in which the packers are interested. In my territory I know it is very, very large.

Mr. BORDERS. You state the members on your market committees are those interested in cattle-loan companies. I mean men like Mr. Ike Pryor and Mr. Heard.

Mr. LASATER I do not know about Mr. Heard. I know Mr. de Ricqles did have. That evidence came out, and for many years I have known he has been associated with cattle-loan companies. But, one moment here, if you please.

Mr. BORDERS. Yes.

Mr. LASATER. I want to state, since that has been mentioned: You have mentioned Mr. Pryor's name. I have read Mr. Pryor's evidence before this committee this morning. I have known Mr. Pryor many years and everybody that knows Mr. Pryor appreciates much about the man. I have not always agreed with Mr. Pryor; that is true. But our disagreements have never made us unfriendly. Mr. Pryor, although he occupied the position he did on the market committee of the American Live Stock Association did not take any active part in this fight against the packers until last November.

Now, what had happened before he made his fight? Mr. Pryor had liquidated between $4,000,000 and $5,000,000 of loans of cattle paper that he was carrying and liquidated his live stock commission business.

I do not know all the conditions, but I realize the welfare of those whose business he was handling kept him quiet. He had to rediscount that paper, largely through channels controlled by the packers. He made a new home for them before he started to fight.

Mr. TINCHER. Did Mr. Pryor charge 2 per cent to his customers for handling paper?

Mr. LASATER. I think, sir, that is the custom.

Mr. TINCHER. You think they did do that to everyone?

Mr. LASATER. Occasionally you will find a man who may command money at 7 or 7½ per cent, but in the great majority of cases I think it is 8 per cent.

Mr. BORDERS. Take this drought in Texas; that was a very serious proposition and extended over quite a period of time, did it not?

Mr. LASATER. There is no question about it.

Mr. BORDERS. Is it not a fact that the cattle-loan companies in which the packers were interested not only did not call the loans but did everything they could to preserve the cattle for the men, even going to the extent of moving them away and preserving the the cattle; is not that a fact?

Mr. LASATER. I do not think there is any question about that. There was no other way out of it, gentlemen. After the packer makes the loan on these cattle on this ranch and the drought comes it is absolutely essential, if the conditions are so hard that the man has to exhaust his margin to protect the cattle producer's collateral.

I want to say with reference to that drought that there has never been anything in the history of the country compared to it. The margins of many cattlemen were wiped out and, as a matter of fact, at the end of it they found themselves only working to protect their credit, which they did. I say that there was no other way out.

Mr. BORDERS. But the charge has been made, and frequently, that the packers would call the loans. You did say the cattle-loan companies were in that position and even did call loans, and that is the only reason I brought it out.

Just one question about the cattle loans I would like to get before the committee. The collateral back of a loan is cattle. Somebody must be on the ground to inspect the cattle, to see that the cattle are actually there and remain there. That is a fact, is it not?

Mr. LASATER. You mean that the representative must remain on the ground?

Mr. BORDERS. Somebody must keep in touch with these cattle to see that they do not die or not sold—that they are——

Mr. LASATER. Gentlemen, let me explain the real machinery, now, that does that business.

Mr. BORDERS. If I may make a suggestion, when you are explaining, Mr. Lasater, please give what figure, if you have the figures, of cost that is necessary to keep in touch with these loans and see that the collateral is always back of them, the paper being sold in the East and the cattle being out in the West.

Mr. LASATER. Can you not do that? I have not the figures in mind, but I know you must be familiar with them. What charges do the packer banks pay the Texas Cattle Raisers' Association for that service that it renders them?

Mr. BORDERS. No; I can not do that just offhand. But in a general way, you take the Texas loans that you speak of, and that paper is very largely sold in the East.

Mr. LASATER. Oh, no; it goes through packers' channels very largely, to my certain knowledge.

Mr. BORDERS. It is very largely handled in the East, and it follows, of course, that cattle loan companies in Texas must have inspectors and men there all the time to see that the cattle are actually there.

Mr. LASATER. Let me tell this: They have not inspectors in Texas all the time. For instance, you take the National Stockyards Bank, with its connecting loan company, which is one of the largest institutions in the live-stock world.

Mr. BORDERS. The cattle loan company?

Mr. LASATER. Of the National Stockyards, Illinois. Is it not one of the large loan companies in the country?

Mr. BORDERS. Yes.

Mr. LASATER. All right.

Mr. BORDERS. And that bank, I personally know, has inspectors in Texas all the time.

Mr. LASATER. How many?

Mr. BORDERS. I can not tell just how many are confined to Texas all the time, but I know they have inspectors there all the time.

Mr. LASATER. Sure. They have kept one there, to my knowledge, and pretty generally keep him busy; and at times they have two.

The way the packer banks protect themselves is this: They take a membership in the Texas Cattle Raisers' Association. That is permitted by our by-laws. I can not tell you just what that costs; it has passed from my mind, but it is so small as to make no appreciable cost in handling loans. Now, this organization has had organized for more than 30 years what we term a "protective force." We have inspectors on all of the markets of the country to catch any cattle wrongfully shipped of any member. So, if I borrow of one of the packer institutions, that is at once reported to the inspectors of the Texas Cattle Raisers' Association, and these inspectors protect that loan at a very nominal charge.

That is one of the functions that is already being performed by the cattle raiser himself. I myself have never known of a loss on a loan made by a packer on cattle that were shipped out anywhere in my section of the country. A loss has never come under my observation.

Mr. BORDERS. Since you have mentioned the Stockyards National Bank let me ask you: Do you know of a single instance of any man in Texas having any connection with that bank that you can criticize?

Mr. LASATER. No; I do not. And I am going to make this statement right here: I do business with the Stockyards National Bank, Wirt Wright, president. I can tell you why I do business with it. For many years I did business with an institution known as the Union National Bank, Kansas City, David Beales, president. When I tied up with this bunch of bankers many years ago they were many years older than myself. As time went on the entire bunch of bankers that I started in with disappeared—died out. There was only one of this original bunch, John Ford, a Scotchman, who was with the Union National Bank when I started as a youngster left. Through several mergers the Union National Bank became the Southwest National Bank of Commerce that it was merged into. I began to realize that the packers had a great influence on the national banks of the country, especially in St. Louis and Kansas City, and decided to make new connections, and then I made up my mind that I would get as close to the packers as possible.

I did not want to have an account with a bank that I knew the packers could pull the strings on and preferred to do business with them direct. So I got a letter from Mr. John Ford and presented it to Wirt Wright, of the National Stock Yards Bank, National Stock Yards, Illinois. I had known Mr. Wright for years and appreciate him as an especially shrewd, capable banker, and I think an honest one. I wanted, of course, to get in the best hands I could and in the hands of a man whom I knew knew his business. And I will say this, that I have never had Mr. Wright to criticize a proposition that I made to him, and I have never had him to change any proposition that I made, and the only discussion I have ever had with Mr. Wright was in the matter of the interest charge. I have insisted many times that the interest charge was too high, and on that he had differed. But I have never had him to refuse or fail to furnish me money when I wanted it and as I wanted it.

Mr. WILSON. Can you borrow money cheaper in Illinois than in Missouri and at a lower rate of interest; I mean than you can in Missouri or Texas?

Mr. LASATER. No, sir; I think the rate is practically the same. When I decided on the change I simply picked my man. If I could have done business directly with Mr. Morris or Mr. Armour or Mr. Swift, I would have done so.

Mr. BORDERS. Then your dealings with this packer bank have not influenced you in regard to this legislation?

Mr. LASATER. No; it has not. Mr. Wright will admit that.

Mr. BORDERS. He is a gentleman, and you will admit that, I know?

Mr. LASATER. Certainly.

Mr. LIGHTFOOT. If you will pardon me, Mr. Lasater, I have an impression from your testimony that I doubt very seriously if you intended it as I understood it; if you intend it to stand if I got you correctly. In connection with the power of these banks over borrowers I got the impression from your testimony that you thought the witnesses who had appeared here on behalf of the bankers were probably influenced in some way by some such action?

Mr. LASATER. Yes, sir.

Mr. LIGHTFOOT. Now, then, if that be true, I want to say that what you said about Mr. Pryor being a former citizen of Texas, and a citizen now, I know to be correct. I know that no consideration would influence him from what he thought to be correct. He appeared here against the packer interests and he was the president of the American National Live Stock Association, and there were some other citizens of Texas, Mr. Kleberg, who probably owns the greatest ranch in the world, and Mr. Marion Sansome, of Fort Worth, was also here as a witness. He was selected by the President of this Nation to pass upon recommendations of the Federal Trade Commission and to make report on what he thought about them. Mr. Wedell, who is also a producer and connected with some governmental institution; and Mr. Reynolds, whom you mentioned on yesterday. I merely want to know whether you intended to say or desire the record to leave the idea that these were not representative cattlemen in Texas. Are they not?

Mr. LASATER. No, sir; they are not.

Mr. LIGHTFOOT. They are not representative men?

Mr. LASATER. Mr. Kleberg, as you say, is one of the largest producers in the country, but Mr. Kleberg does not represent and did not represent here fairly the attitude of the members of the Texas Cattle Raisers' Association.

Mr. LIGHTFOOT. I was not saying that.

Mr. LASATER. That is shown by Mr. Pryor's statement that I read here.

Mr. LIGHTFOOT. You misunderstand me. I did not say they were representing the cattle producers, but are they representative citizens and men of integrity and character in the State of Texas—these men I have mentioned?

Mr. LASATER. Every man you have mentioned in discussing matters as between the packers and the producers for years has been regarded by the producers of Texas as the friend of the packer.

Mr. LIGHTFOOT. That may be true, but what I am trying to get at is that it seemed to me, although I may be mistaken, that the inference you left was that these men are influenced in their opinion by virtue of the connection between the packers and themselves. What

I wanted to find out was whether or not, in your opinion, they are men of integrity and are representative citizens, honored and respected in the State of Texas; and whether or not they could be influenced in their opinions? If you think so, of course, I wanted to know that. I got the impression that that was the inference left by your testimony.

Mr. LASATER. Beyond any question I think they could be influenced or they would not have been here. That is my opinion. And that was Mr. Pryor's opinion.

Mr. LIGHTFOOT. Very well, I merely wanted to get that clear.

Mr. LASATER. Well, I am very glad to give you my opinion on that proposition.

Mr. BORDERS. Just one fact, and I do not care to prolong the questions or answers: In the catle-loan business when there is a loss, which is generally a big loss when it comes—and there are big losses, aren't there?

Mr. LASATER. In years I do not remember but one. There is a certain banker in Fort Worth engaged in the cattle-loan business to some extent, Baldridge by name, who——

Mr. BORDERS (interposing). No; I meant loans made by cattle-loan companies to cattlemen. Take Texas in the last few years and there were enormous losses there by cattlemen.

Mr. LASATER. Baldridge was also a cattleman. That loss was made by some institution, the same institution which I just discussed that Wirt Wright was president of. I think they did suffer quite a heavy loss, but that is the only one I know of.

Mr. BORDERS. You do not mean to say that cattle-loan companies did not lose big money in Texas during the drought?

Mr. LASATER. I say this, that in my section I do not know of any. In the extreme western part of Texas there might have been, but in my section I know of no losses suffered by cattle-loan companies.

Mr. BORDERS. All right.

Mr. LASATER. I know that farther west in many instances there were serious losses, and I would think they must have been reflected somewhat on the cattle-loan companies, but I do not know about that. I am not in personal contact with those losses.

Mr. VOIGT. Let me ask you a few questions relating to this divorcement of the packers from the financial end of this proposition. I will say to you that, personally, I think, it is somewhat improper for the packer to loan money to the producer. It gives him an undue power over the product of the producer. Assuming that to be true, what is your remedy, what is the remedy that you suggest?

Mr. LASATER. The producers of Texas—and let us confine ourselves to one specific situation—already have an organization that the packers rely upon for protecting their loans. We perform that function for them.

Mr. VOIGT. As I get your statement you think there should be some legislation passed similar to the Federal farm loan system?

Mr. LASATER. That would enable cooperative associations to have a direct route to the Federal Reserve banks. Give us any supervision you like, and I realize this, that you will never be able to supply producers with cheaper money unless you eliminate the risks. We want to eliminate the risks, as far as possible.

Mr. VOIGT. Your idea is to form local associations?

Mr. LASATER. To give us a channel to the money supplies of the country.

Mr. VOIGT. To form local associations that can discount at the reserve banks. That is, in short, your remedy?

Mr. LASATER. Yes, sir; in short that is my remedy.

Mr. VOIGT. Would you like to see a law passed which would prevent a packer corporation or a stockholder in a packer corporation from owning stock in any bank?

Mr. LASATER. One thing that I think is essential here is this packer license. I think they should be licensed and be under the supervision of some commission. If that were done it might not be necessary to prohibit the packers from owning stock in the loan companies or banks and making loans to the producers. But unless that is done, with the influence they have on the market centers of the country, we would be mighty slow in starting any cooperative institutions. It would be mighty hard to get people to come out and take an interest in them; they would dread the possible results.

Mr. VOIGT. Let us get into this a little deeper: You are a live-stock producer. You would not consider it improper for yourself to buy stock in a bank, would you?

Mr. LASATER. Do you mean in a live-stock producers' bank?

Mr. VOIGT. Well, in any bank.

Mr. LASATER. No; I do not think that is improper.

Mr. VOIGT. If you claim that privilege for yourself would you deny that privilege to a man who is a stockholder in a packing company?

Mr. LASATER. Certainly I would not unless you have a monopoly to deal with. Here wou have an institution performing a function for the people that is absolutely vital to the welfare of the Nation, and I think it is up to this Nation to control that monopoly. This cattle loan business is one of the factors that assists them in maintaining the monopoly that they now have.

Mr. VOIGT. Well, then, you think a law would be proper which would prevent a stockholder in a packing company, no matter whether one of the Big Five or whether one of the 200 independents, from owning stock in a bank?

Mr. LASATER. No, sir; I would not make that apply to anybody who is not a party to this combination that we are now dealing with. I do not see that it would be necessary to do that at all.

Mr. VOIGT. Then, you would have a law which would apply only to the stockholders of these five institutions?

Mr. LASATER. They are the only people I would deal with. They are the monopoly, and they are the only people I think it necessary to handle. I would build up as few restrictions as may be necessary to meet the conditions.

Mr. VOIGT. That is what I am trying to get at, your views on that matter. Personally I think it would be poor policy for a Congress to pass a law which would apply only to five packing concerns. A law necessarily must be of general application. Congress can not very well pass a law which will apply only to five people.

Mr. LASATER. I think you are right, unless you are dealing with a monopoly. In this question that we have before us, in which there is a proven monopoly, I do not think ordinary legislation will reach

it. In other words, I would not care to apply it as far as the banks are concerned. It is only with the idea to deal with a certain situation that does exist.

Mr. VOIGT. Now, to get right down to the brass tacks of your proposition: It is that a law should be passed to prohibit the stockholders of these five packing concerns from owning any stock in any bank, or cattle loan banks especially?

Mr. LASATER. In certain market centers; yes. We have to-day from Chicago south, what? In Chicago, St. Louis, Omaha, Kansas City, Fort Worth, and probably in St. Paul, the situation to which I refer. But in the great producing centers of this country, where these people have concentrated their efforts and their power, I would divest them of that power. And one of the things that enables them to maintain their influence in those sections is their influence on the credits in those sections and their influence on the banks other than packer banks.

Mr. TINCHER. After you have divorced them, I understand your remedy is cooperation among stockmen, provided for by a law similar to the Federal farm loan act.

Mr. LASATER. Something like that.

Mr. TINCHER. Let us see if that will work. If I want a loan on my farm I get together with nine of my neighbors and we make arrangements with a Federal farm loan bank for the money, and my farm goes in with that of Smith and the farm of Jones, and we are all responsible, one with another. That leads me to this thought: I wonder if any 10 cattlemen can be found in the United States who would be willing to have that mutual arrangement among themselves? You expressed the whole thing when you said there must be a guaranty, an insurance against loss. That can hardly exist where the surety is chattel security like cattle.

Mr. LASATER. Take the State of Texas, and you are familiar with conditions there. Say we have 4,000,000 cattle that are paying dues to the Texas Cattle Raisers' Association. I think a big part of those cattle—the men that control those cattle—would be willing to go into the formation of a cattle loan company. We will say that they will put up a dollar a head for the cattle that they have, and the capital that they would create in that way would enable them to finance many millions of dollars in loans on the basis that the packer to-day is financing through his loan companies.

Mr. TINCHER. Well, there is nothing to hinder them from doing that now, before we repeal that law, is there?

Mr. LASATER. Yes; there is to-day. Under our present system of marketing and credits I think that is impossible, absolutely impossible. We have the influence of the commission men against it and of the loan companies against it, and here are the market conditions of the country against it. So unless you are going to cure some of the evils we have, so far as stockyards, loan companies, and so on, are concerned, and do away with some of this packer influence, I do not think it is possible for the Texas Cattle Raisers' Association to do that.

Mr. TINCHER. I wondered if you would have us pass a law such as you and Mr. Voigt were talking about, divorcing them from all financial institutions connected with the packers? The Congress is supposed to be constructive. We are supposed to offer to the people a

law that will take the place of present conditions. I am serious about this matter, and I confess that if you were to leave it to me I do not know to-day just what kind of law we should pass in order to take its place. You suggest cooperation among the producers; you have suggested a cattle-loan bank patterned after the Federal farm-loan banks. I do not think the situation is similar at all. In the case of the farm-loan banks the land is there, and a man can go and see it. Take Amarillo, Tex., and a year ago last winter, while I know of men there who did not lose any cattle, I also know of some men who lost the majority of their herds. I have heard men say that it is accounted for by reason of the way those men handled their cattle. I have heard men testify to that under oath. Therefore I say cattle can not be handled like farm-loan securities.

Mr. LASATER. No; cattle are not land, it is true. But you will never be able to divest from business the personal equation—efficiency of management.

Mr. TINCHER. Then you can not divest the element of risk so far as personal property is concerned?

Mr. LASATER. My dear sir, this cattle-loan business, back for a period of 30 years, has been a wonderful money-maker.

Mr. TINCHER. Yes; and I know of some that went broke in about six months after they were organized. I know one that, winter before last, had to liquidate on account of the heavy snows and conditions that existed. I suppose if we could have a complete history of cattle-loan companies we would have a recital of their ups and downs. The bank that you commenced doing business with, the National Bank of Commerce, Dr. Woods, president, I know something about. The first law business I had of any consequence was going down into Texas to gather up some securities. And that bank got on the rocks on account of the cattle loans they had in the State of Texas about the year 1898. There was the element of risk. Dr. Woods and the stockholders realized that.

Mr. LASATER. I do not question for one moment that there is an element of risk in all business. Nobody can or will deny that proposition. In any business you have it. You must admit that there is an element of risk in any line. [Wish to correct Mr. Tincher's impression that I did business with Dr. Woods's bank. I did business with the Union National Bank, David Beales, president.]

Mr. TINCHER. Very well; and a man will not take that risk unless he has some inducement.

Mr. LASATER. Unquestionably, he will not take that risk unless he has some inducement.

Mr. TINCHER. The bill under consideration does not cover divorcement of the packers from the financial institutions.

Mr. LASATER. No; it does not cover that proposition at all. I expressed my opinion to be that that was one of the conditions that ought to be overcome.

Mr. TINCHER. You could not call a Congress a constructive Congress that would pass a law divorcing the packers from the financial institutions of the country unless that Congress had a measure ready for passage that would take the place of it, would you?

Mr. LASATER. I concede that, beyond any question. I made that statement. And it would require very careful thought by loan experts to suggest a measure that would take its place. There is no

question about that. I do not think that we are dealing with a situation that is at all easy.

Mr. BORDERS. Mr. Lasater, did I understand you, or hear you correctly when I understood you to say that you thought the producers ought not to own the stockyards; that they ought to be owned by the railroads?

Mr. LASATER. No, sir; there is no probability of the producers owning the stockyards. But I did not make that assertion. I do not think the packers ought to own the stockyards; nor do I think a holding company owned by the packers ought to own the stockyards.

Mr. BORDERS. Suppose there is a holding company that the producers can control, would you favor that plan?

Mr. LASATER. Well, for instance, I related an instance this morning, or probably I did not relate it, but it was my intention to relate it, that, I think in 1918, I was present in Fort Worth when a shipment of my cattle was sold, probably 8 or 10 cars of cows. It was known to the stockyard management the day before that there was going to be one of the heavy runs there that day. The pens in which my cattle were yarded lay probably equidistant from two sets of scales, one to the east and one to the west. About 11 o'clock the commission man was advised, I suppose, that those scales to the west would be open so as my cattle could be weighed. He let the cattle out of the pens into the alleyway in order to be on their way to be weighed, and they stayed in the alleyway until something like 2 o'clock before they were weighed. Cattle are bought on the idea that they will be filled when they are weighed. That is fair. If six or eight hours go by after drinking it is easy to lose 30 or 40 pounds. On the basis of 8 cents that means a loss of $2.40 to $3.20, that inured to the benefit of the man who bought my cattle. I can not recall in many years one shipment of cattle sold be me to other than one of the Big Five. I sold a small shipment, probably of three cars of cattle, to an independent packer in 1918, in St. Louis, I believe. But with that one exception one of the Big Five, either Morris, or Swift, or Armour, has bought my cattle for many years.

Mr. BORDERS. That is all aside from the questions. The packers are now perpetually enjoined from and will get out of the stockyards. The specific question asked you is, Do you now favor control of these yards by the producers?

Mr. TINCHER. May I interpose a question right there?

Mr. BORDERS. Certainly.

Mr. TINCHER. If it were possible for the producers to control the holding company that owns a stockyard I would like to know what possible objection there could be to it?

Mr. BORDERS. That is exactly the question I put to Mr. Lasater. What possible objection is there?

Mr. TINCHER. Perhaps I got the wrong inference from your questions.

Mr. BORDERS. I say there is none.

Mr. TINCHER. I say he is positively the proper man to control the stockyards.

Mr. BORDERS. That is my proposition, that the producer should now control the stockyards.

Mr. TINCHER. I suppose Mr. Lasater's assumption is that the common carrier, the agent of the producer in handling the stock from the time they are loaded on cars at the farm of the producer, until they are sold to the packer, would give a fair deal with the stockyards.

Mr. BORDERS. Yes; but you understand, so far as the carrier is concerned—and I hate to be called upon to make this statement just at this time, which is out of the question being considered—is in this position: In the first place, the function of the carrier ends when the cattle are landed in the unloading chutes. When they are driven from the unloading chutes into other pens there the carrier's function ends. And it is not a transportation function at all thereafter, but is one of feeding, marketing, and selling. That you will never get the railroads into in the world. It is not a railroad proposition. Furthermore, take all of the railroads centering in one market, and one or two railroads would probably dominate the situation, and shippers over other railroads might be discriminated against. It is a different question from that of transportation, in my judgment. It is no longer a matter of argument as to the packers having any interest in the stockyards, because we have got to get out and we are planning to get out. But we would like to see the producers come in and control those yards. And I merely wanted to ask Mr. Lasater what his opinion was about that situation.

Mr. TINCHER. You say you will get out, and I notice by this decree you are to turn over the stockyards within a certain time. Who are you going to turn them over to?

Mr. BORDERS. That is to be determined under a plan to be submitted to the court.

Mr. VEEDER. We are only under obligation to sell them. There can be no holding company in which we can have any interest. We must find a buyer.

Mr. TINCHER. You are going to sell them?

Mr. VEEDER. Yes, sir.

Mr. ANDERSON. And you can not have any interest in any holding company that owns the yards?

Mr. VEEDER. No, sir; we can not have any interest in them, either directly or indirectly.

Mr. TINCHER. You are going to sell them at auction, are you?

Mr. VEEDER. We are going to try to find a purchaser for them.

Mr. BORDERS. The packer has no feeling about the producer having the ownership; the packers have no objection to that at all; in fact, the packers would like to look forward to the producers owning them.

Mr. TINCHER. That is because the packer does not have to buy but the producer has to sell.

Mr. VEEDER. The packer does have to buy. The producer can always find a market, he can always sell his cattle, but the packer does believe that the man who is operating those yards should be some one who has an interest in having them efficiently and properly operated; and that an owner who has no other interest than that of collecting dividends from them will not be as much interested in seeing them properly conducted as either the packer, whose plant is next to the yard and who has to get cattle to come there and has

to make the yards attractive so that they will come there and he can get a supply of cattle for his plant; or the producer, who is interested in selling his cattle, and therefore wants the yards properly conducted so as to give a proper market in which to sell his cattle.

Mr. BORDERS. So far as our people are concerned it would be our desire and wish to see the producers come forward and buy these interests. That is our honest desire. Let us go further and say: This decree provides that we enter into an agreement, and it is a part of the decree that we must maintain packing plants, and maintain them efficiently for at least 10 years.

Mr. COLLINS. Does it provide that you have to buy your cattle in the stockyards also?

Mr. BORDERS. Oh, no.

Mr. COLLINS. It gives you the privilege of going to the country to buy them?

Mr. BORDERS. I do not think it possible——

Mr. COLLINS (interposing). You can go there if you want to?

Mr. TINCHER. Under the terms provided for selling these stockyards who fixes the price for them? Is there any provision made for that whatever?

Mr. BORDERS. That is all settled by the court.

Mr. VEEDER. The court passes on the plan of sale.

Mr. COLLINS. It does not pass upon the price, does it?

Mr. VEEDER. Yes, sir; upon the plan and the price. I think the word "reasonable" appears there.

Mr. COLLINS. I have noticed recently in some of the papers that there has been a little intimation going out to the country that the packers might go to the country to buy cattle if they do not own the stockyards. I think that going out to the Nation has probably turned some people against buying the stockyards. People will be slow to invest their money in the stockyards for fear the packers might go to the country to buy their cattle, in which event a man buying the stockyards would be in an awkward position as to his investment.

Mr. BORDERS. There has never been any thought of that kind, of the packers going to the country to buy their cattle.

Mr. COLLINS. Well, I have noticed that in the papers. What would prevent the packers from going to the country to buy cattle?

Mr. VEEDER. The same conditions which prevented it in the past.

Mr. COLLINS. They have bought hogs direct.

Mr. O'DONEL. Yes; but they have had an interest in the stockyards so far, but they no longer will have that interest.

Mr. BORDERS. If you will pardon me for a moment I think I can answer that whole question in this way: If the producers own the stockyards there is no chance for the packers then to buy their raw materials, live animals, from the producers except at the stockyards, because you can send them through the yards, and you then will control the situation, just as you say we have controlled the situation in the past.

Mr. COLLINS. If the packers were to go to the country to buy cattle, and even if they bought them at a slightly less price, there would be no interest then in the producer taking his cattle to the stockyards.

Mr. BORDERS. Mr. Collins, you know there would be no interest to the packer in going to the country to buy cattle.

Mr. O'DONEL. I think it is very much to the interest of the producer to have them bought on the farms.

Mr. LASATER. I would like for this record to show that the Chicago packers mulcted the owners of the Chicago stockyards of many, many millions of dollars a few years ago in order that the owners of the stockyards might hold the Chicago packers there to do business. That is a matter that has been proven and shown by the investigation of the Federal Trade Commission.

Mr. BORDERS. I do not know much about the first part of that statement, but I will say——

Mr. VEEDER (interposing). He refers to the agreement of 1892. Let me explain that: In 1892 the packers bought a large tract of land at Tolleston, what is now Gary, in the State of Indiana, on the south shore of Lake Michigan. The city of Chicago was rapidly growing. It looked as though it would be advisable for the packing companies to establish themselves at a distance from the city. They bought this tract of land, at large expense, and had it surveyed and intended to build stockyards, packing plants, the residence portion of a town, and do practically what the Steel Corporation has since done on the same site. And, in my opinion, they made one of the most colossal mistakes they have ever made in their history in not doing it. However, the Chicago Stockyards persuaded them, and I think paid them in income bonds $3,000,000, to remain at the Chicago Stockyards. That was in the year 1892. The packers did remain in Chicago, and it has cost them many, many times that amount by reason of the charges, fees and expenses and limitations to their business as the city has grown on around the stockyards. In my opinion their failure to go to Tolleston was one of the most colossal mistakes the packers have ever made.

Mr. ANDERSON. Mr. Veeder, of course I want to ask you some questions about that, but I do not care to do it now. I suppose you will go on the stand later and afford us that opportunity?

Mr. VEEDER. I had not expected to go on the stand unless something is brought up here later that is particularly within my knowledge. I am not a packer and am not in a position to give first-hand knowledge on most of these matters.

Mr. ANDERSON. You are testifying now from your own knowledge I take it?

Mr. VEEDER. Yes, sir. And I have no objection to testifying about the Tolleston yards or anything else that I know anything about.

Mr. ANDERSON. I should like to inquire at the proper time about this matter, but not now.

Mr. Lasater, have you finished your statement?

Mr. LASATER. I think I have put in about all of the testimony the committee has expressed itself as willing to hear.

But I would like to close my statement by impressing upon the committee what I think are the views of those for whom I have appeared here:

We feel that the stockyards should be controlled by interests that in no way can be handled by the packers.

We feel the refrigerator cars should be so provided as that every shipper can command equal service at the same cost.

We feel that we should have legislation that will permit of the organization of cooperative distributing agencies near the great industrial centers at the least possible cost and friction; that these cooperative distributing associations should be able to command every assistance that can be rendered, either by a commission, if created, or by the market committee if it should be left in the hands of the Department of Agriculture.

I believe if these things are enacted into law—and these reliefs should be enacted into law—for after a period of 5 or 10 years the size of the Chicago packers will not be a matter of serious consideration to the country. I think the smaller packing units distributed where the cattle are and these cooperative distributing agencies will do the work for the country.

Mr. VOIGT. I just want to ask you a question or two: You have suggested two concrete proposals here (1) as to the financial end of the matter, and the other (2) to do away with packer control or ownership of the stockyards.

Mr. LASATER. As to this financial end, I do not recall just how it got sprung into the discussion, but that is something that has not been handled by any organization I am connected with. They have presented no bills recommending that. I expressed solely my personal opinion on that proposition. But these other matters have been discussed by various farm organizations, and we have come to a common mind on the subject. On the credit end of the situation I have expressed my own opinion and that of none other.

Mr. VOIGT. What I am trying to get at is just what remedies for the situation you recommend. You have spoken about the stockyards, and something was said about the financial end. What else do you recommend?

Mr. LASATER. I recommend licensing the packers and all agencies that go with the stockyards—commission men, traders, and all interests concerned about stockyards management. Then I want the packers divorced from the control of the refrigerator cars, and I want such legislation as will insure to the small shipper equal service with the large shipper. If you give us this it will enable us to build smaller packing centers throughout the country. If we can get to the industrial centers, where the consumption is, and participate in the movements that I know must be made, and will be made, as the country is ripe for it, of organizing new distributing agencies, we will be able to eliminate a great part of the present costs of distribution of our products to the consumer.

Mr. VOIGT. You think the concentration of this business at a few points in the country is due to artificial limitations, and not to economic law?

Mr. LASATER. Absolutely. It is uneconomic and never can be made economic. I do not know of any nation that has such a wasteful system as we have.

Mr. VOIGT. What do you think of the propriety of permitting packers to handle butter, cheese, eggs, poultry, and so forth?

Mr. LASATER. I do not think that should be done. In other words, as I understand this consent decree, they are left in the position as far as dairy products and poultry products are concerned exactly as they are to-day. I feel like the dairy interests and the poultry interests should have some protection. I think it simply means that the

packer, as time goes on, will control absolutely the smaller creameries throughout the country. They will be forced to sell to the packer. And it will be the same way as to the smaller cheese-manufacturing concerns.

Mr. VOIGT. Do you think if there is absolute free play of economic laws that the people of Texas would slaughter the cattle produced in Texas?

Mr. LASATER. Very largely I do, yes, sir. And when they do that it is going to inure to the benefit of our creameries—and we have no cheese-making in Texas to amount to anything, but have some creameries in Texas—that is going to absolutely insure those local interests remaining in local hands.

Mr. COLLINS. To what extent are the packers interested in cotton-seed cake, do you know?

Mr. LASATER. That matter was read into the record the other day but I do not remember the extent.

Mr. VEEDER. Mr. Colver testified that all of the cottonseed mills owned by the packers in Texas crushed about 7 per cent of the crush. I presume that what he meant was that it was about 7 per cent of the cake likewise.

Mr. LASATER. No; about 10 per cent of the seed.

Mr. COLLINS. Under this agreement do you go out of the cotton-seed cake business, too?

Mr. VEEDER. This decree does not touch upon the cotton seed or the cotton-oil business at all.

Mr. LASATER. Mr. Chairman, I would like to read into the record just a few lines of the decree that I understand has been in effect since 1906.

Mr. WILSON. Mr. Lasater, I imagine several members will want to ask you questions, and it is now about 5 o'clock, and I suggest that it would be a good time to adjourn until to-morrow morning.

Mr. ANDERSON. As I have other witnesses to go on the stand to-morrow morning I would like to have Mr. Lasater finish this evening.

Mr. LASATER. I would like to make this statement to the committee: It is impossible for me to stay here longer than this week. I would like for them to have an opportunity for the packers, if they care to attack any of the statements I have made here, to do so in order to give me a short time for rebuttal before I leave town. I can not remain another week. Is it possible to allow them some special time to do that? I should not think it would take much time.

Mr. TINCHER. How long are you going away for?

Mr. LASATER. I am going 2,000 miles and can not come back for several months. That is an impossible thing. My spring work is on and I must give my time to it.

Mr. ANDERSON. That matter will have to be for the committee to determine, Mr. Lasater.

Mr. RAINEY. I have some questions I want to ask Mr. Lasater, and as it is time to adjourn now, I do not want to take up the time of the committee this evening.

Mr. ANDERSON. Then the committee will stand adjourned until 10 o'clock to-morrow morning.

(Whereupon at 5.15 o'clock p. m. the committee adjourned until to-morrow, Wednesday, March 3, 1920, at 10 o'clock a. m.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

WEDNESDAY, MARCH 3, 1920

PART 7

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Wednesday, March 3, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. You may proceed, Mr. Lasater.

Mr. ANDERSON. Mr. Rainey, do you want to go on with Mr. Lasater this morning, or would it be satisfactory to you to go on with Mr. Lasater later in the week?

Mr. RAINEY. That will be entirely agreeable to me.

Mr. ANDERSON. I should like to put on some gentlemen who want to get away, who have been here several days, and Mr. Lasater can come back later in the week if that is satisfactory to you.

Mr. RAINEY. That is satisfactory to me.

Mr. LASATER. I should like to ask your forbearance, so that I may read into the record at this place a statement that appears in this morning's paper, the Washington Post, with your permission?

The CHAIRMAN. Certainly.

Mr. LASATER (reading):

Representing live-stock growing associations, Ed. C. Lasater, of Texas, advocated before the Agricultural Committee virtual elimination of the big packers from the meat industry and substitution of small local and cooperative stockyards and slaughterhouses and separation of large stockyards from packer control.

That, as written there, is very misleading. I did not recommend the elimination of the big packers by legislation. What I did recommend was the taking away from the big packers their means of monopoly; that if that were done, then smaller slaughtering units all the country over would gradually eliminate the big packers. We have no dread of them if you put us on an even keel with the big packers. I should like that correction made in the record.

Mr. ANDERSON. Before we hear Mr. Montgomery, I sholud like to read into the record a telegram which I received this morning in opposition to the pending bill. The telegram is as follows:

ALBERT LEA, MINN., *March 2.*

Hon. SIDNEY ANDERSON,
House of Representatives,
Washington, D. C.

We, undersigned Business Men's League and individuals of Albert Lea, Minn., after due discussion, desire to go on record as being opposed to the Anderson bill, now in hearing before the Agricultural Committee, and all legislation of such tendency aimed at the licensing and restricting of business by commissions.

BUSINESS MEN'S LEAGUE,
By GEO. R. SCOTT, *President,*
C. C. HANSEN, *Secretary.*

And by several other prominent business men of Albertlea.

I do not desire to make any comment on this telegram except to say that Wilson & Co. have a packing plant at Albertlea, which is a very progressive and well-established institution, and in which the people of Albertlea feel a very proper interest and pride. Evidently they have been led to believe that the bill which I have introduced will adversely affect the operations of that plant, which is the reason for sending this telegram. I hope, however, at the proper time to convince them that there is no occasion for alarm in that direction.

I will ask Mr. Montgomery to please take the stand.

STATEMENT OF MR. J. H. MONTGOMERY, BASIN, WYO.

The CHAIRMAN. Mr. Montgomery, please give your name, whom you represent, and your residence.

Mr. MONTGOMERY. My name is J. H. Montgomery. I live at Basin, Wyo. I am here representing no one except myself. I probably would be called just an average farmer and rancher from that part of the State. I raise grain and sugar beets for market and I run both cattle and sheep on the public range. I have been in the business for 15 years. The reason I am here is because from the time of its incipiency until the present I have taken a very active interest in the investigation of the packers and in the legislation tending toward their control. The reason I have taken this interest is because in all of these years that I have been in the business I have always been suspicious that the packers were in a combination.

Now, to give you the grounds for my suspicion, I will have to start back quite a little way in my life. My father was a farmer and live-stock feeder in Illinois. I was brought up on a farm there. He had fed cattle every year beginning with the year that he came out of the Civil War, every year until he died, without an exception. He died in 1900. In the later years of his life he suffered from an incurable disease. I was just a boy. He knew that he could not live very long and he took particular pains to give me the benefit of his experience in the hope that I would go on with the conduct of that farm. I remember particularly of his telling me of his experience in the cattle business. He used to feed from 500 to 1,000 head of steers every year, but for the last 8 or 10 years before he died he only fed about three or four loads, just enough to eat up the corn that we raised on the farm, and he told me the reason that he had quit feeding cattle was that there was no longer any money in it. He advised me to always feed enough cattle to eat up the corn produced on the farm, because it was essential to maintain the fertility, but under no consideration to go into the live-stock feeding on a large scale as he had formerly done. Well, he died. Right after that time the first prosecution of the Beef Trust was instigated. You remember that was the time they all took what was known as the "immunity bath."

I followed those investigations pretty closely and I noticed that those hearings showed that this Beef Trust had been organized just about the time that my father told me that it was no longer possible for him to make any money in the feeding business. Well, I liked the live-stock business much better than I did farming. As a result

of this investigation or some legislation that was passed at that time I concluded I would go West, on the cheap grass out there, and produce cattle on a large scale and make money. I went West and my premise proved correct; I did make money. Of course, the business had its ups and downs, but I expected that. I noticed frequently that when I went in the market with a bunch of young feeder cattle that there was a big demand for them and I did not have any trouble in selling them. If you had a good string of feeder cattle in the fall of the year in Omaha there would be a lot of farmers and commission men or anybody who would buy them, but I noticed that if I had fat cattle there was just a few who looked at them several times, and so I sent them farther east, but I never made any money out of them. Right there I will tell you of one instance which happened several years ago. I was on the market with 4,800 head of stock sheep; half of them were ewes and half lambs. They had been finished on beet tops and corn. They were losing me a lot of money. I decided to try a little experiment. I took and cut out unassorted one-half of the different bunches and sold them in Denver and I took the other half to Omaha; a part of them went to Omaha and part of them to Sioux City.

The ones that I shipped East just netted me 4 cents a head more than the ones that I sold in Denver. When I got to the Omaha market the buyers of the packers asked me why I did not sell them in Denver and they told me exactly what I had been offered in Denver for them. That was the time that we lost not less than $1,400. In six weeks the market did recover and I would not have lost anything, and some time later the sheep were sold higher, after $5 worth of wool had been shorn from each one of them. I am not kicking about that. I did not expect always to make money, but the point that I want to emphasize is the fact that I never had a market for my fat stuff, but if I had stuff that the packers did not buy and I was not dependent on the packers I always had a wide market.

I knew that these men had been guilty back in 1903 and I felt they were guilty then. That was the general impression among all of my friends that shipped regularly to the market. Then, if you remember, just a little while before that, in 1912, I think it was, at the time of the prosecution of the National Packing Co., Mr. Veeder went on the stand at that time and testified under oath that they had been in collusion back between 1895 and 1900, just the very years that my father had gone broke in the business, and I concluded that they were still——

Mr. YOUNG (interposing). As I understand, your father died in 1900?

Mr. MONTGOMERY. He had gone broke in the business about 1890. He told me that he had lost $36,000 on one bunch of cattle. That was along in 1890. When he died he was practically broke. That was one of the things that caused his death.

Mr. YOUNG. Between 1890 and 1900?

Mr. MONTGOMERY. Yes, sir. Mr. Veeder went on the stand and testified. I want to read you his testimony.

Mr. YOUNG. But the date of that?

Mr. MONTGOMERY. Nineteen hundred and twelve. The statute of limitations had then run, and so they could not any longer be criminally prosecuted for what they had done. He went on the stand and confessed the truth. That is all of record in the Federal Trade Commission's investigation. This is a summary of it published in the report of the Federal Trade Commission. With your permission, there is just half a page that I should like to read.

Mr. Veeder in 1912 made a detailed statement. The testimony was given after the statute of limitations had run and there was nothing to fear from an acknowledgment of the conspiracies of the nineties. [Reading:]

Veeder testified that from 1893 to 1896 the representatives of Armour & Co., Swift & Co., and Morris & Co. met regularly every Tuesday afternoon at 2 o'clock; that the Cudahy Packing Co. and G. H. Hammond Co. also occasionally were represented at these meetings. During this earlier period the packing companies were designated by letters: Armour & Co., "A"; Armour Packing Co., "B"; Cudahy Packing Co., "C"; G. H. Hammond Packing Co., "D"; St. Louis Dressed Beef & Provision Co., "E"; Morris & Co., "F"; Swift & Co., "G."

As a basis for controlling shipments and sales, the United States was divided into several territories, known as territory A, B, C, etc. Territory A, for example, was that part of the United States lying east of the Mississippi and north of the Ohio and Potomac Rivers, excepting the State of Illinois and including the State of West Virginia.

Veeder received statistical reports from each of the companies that were parties to that arrangement, and with his assistants compiled them and submitted them to the parties at the meetings on Tuesday afternoon. Two statements were received from each of the houses on Monday. One statement gave the total amount of shipments by the party into territory A for the week closing the Saturday preceding; the second statement gave the closed selling prices received by such parties in territory A during the same week. These statements were furnished by the heads of the beef departments of each of the packing companies, and served as a basis of adjusting the proportion of shipments and expenses as well as for levying fines for overshipment.

In addition to the two statements compiled and laid on the table before the parties at the meeting, which statements were known as "shipment" and "margin" statements, Veeder testified that he prepared a third statement, known as the "percentage" statement, which was mailed out Monday night to the heads of the beef department of the parties to the agreement. After the meeting on Tuesday afternoon he would mail to the same parties instructions for the ensuing week as to the total percentage to be shipped and the amount each particular house was to ship into territory A.

Each party who exceeded his percentage of shipments—

Notice this, please. [Continuing reading:]

Each party who exceeded his percentage of shipments paid Veeder 40 cents per 100 pounds in excess of his apportionment, and Veeder in turn paid the parties who were short of their quota 40 cents for each 100 pounds they were short.

Mr. COLLINS. What was the date of Mr. Veeder's testimony?

Mr. MONTGOMERY. In 1912, at the time of the National Packing Co. investigation. We knew all of these things. So when this investigation started I was very much interested in it and put a little hard cash in it. About that time the market committee of the American Live Stock Association was busy and we began to advocate legislation. Of course, we began to talk of it in our little stock meetings. I belong to the Wyoming Cattlemen's Association, I belong to the Wyoming Wool Growers' Association, and I also belong to the county organization which includes just the growers in the county in the cattle and sheep business. Right then we began having our

meetings. We found that representatives of the packers were in nearly every one of our meetings. They came there. There would be a lawyer from Armour, lawyers at least from two of the packers would be in there and then they would have some other men along with them and have several commission men. They would come in and monopolize our meeting, and when we wanted to discuss questions they would get up and make a speech and one would take up an hour or two of the time advertising the morals of his respective organization and saying how little profit they made on the cattle we produced, and trying to make the point all the time as to what public benefactors they were. Sometimes before we had started to consider a resolution or some legislation that was contemplated down here in Congress they would get up and start the argument and monopolize our meeting, somewhat similar to the way they monopolized this hearing yesterday afternoon.

I will tell you one instance. Last April I was a member of the resolutions committee of the Wyoming Stock Growers' Association. When we went into our committee meeting there was a set of resolutions already prepared and all we had to do was to sign them, condemning the Kendrick-Kenyon bill. There was an agent of Armour & Co. in the room and he kept coming in, and there was an agent of the Union Pacific Stock Co. that kept coming in, asking what we were trying to do—to wreck the country or to turn Bolshevik? Finally I had to request them to stay out of the room and let us hold our meeting in secret. The point of that is that I want to impress upon you the fact that they attempted to influence this resolution that was coming here. At the Wyoming Wool Growers' Association meeting last spring, I did not attend that meeting, they sent in a resolution condemning the action on the Kendrick-Kenyon bill. I know just how that resolution came to be reported. These stockmen came down—some of them live 50 or 75 miles from town, and they are not well posted on conditions.

Mr. TINCHER. Do you suppose they had a copy of either of the bills?

Mr. MONTGOMERY. Every stockman in that country has been circularized with petitions by Swift & Co. and Armour & Co. until there is not a log house in Wyoming that does not have enough of it to keep their fires kindled. That is a fact. You can not imagine the effect on the little stockman. Maybe he is borrowing money and they come in and tell him that this agitation is wrecking the business.

Mr. YOUNG. It does not cost anything to print all of that?

Mr. MONTGOMERY. That goes to reduce the cost of $1.15.

Mr. YOUNG. They use too much printed material?

Mr. MONTGOMERY. All I want to do is to have you people know just exactly what the conditions are.

Mr. TINCHER. You distinguish between that class of material and legitimate advertising?

Mr. MONTGOMERY. Yes, sir.

Mr. TINCHER. Whenever we say anything about that they say, "Have we not the right to advertise"?

Mr. MONTGOMERY. That is true.

Mr. TINCHER. That is what we call propaganda?

Mr. MONTGOMERY. That is propaganda, that is what it is. I guess that is where the Germans got the idea.

As we all know anyway the Federal Trade Commission made their report. We all know of the findings of the Federal Trade Commission. I do not think any man could follow the testimony or go through their reports with an open mind without being absolutely convinced that these men are guilty. We know they were guilty once. I know they are guilty again now. If you people will believe me through another channel of reasoning I will prove to you by circumstantial evidence, cutting all of this stuff out, that they are guilty.

You take in the production of beef cattle or the production of any commodity, it is a well-known fact that if you artifically control the price of that commodity, the man that produces at a cost greater than the price you fix will go out of business. In other words, if it costs $75 to produce a 4-year-old steer, that is, the average is $75, that is to say, get reports from 1,000 farmers and as a result the average is $75—of course, it will cost a lot of them $85 or $100, but out West with cheap grass they are producing them for $50, you will have an average of about $75. You artificially fix the price at $75, and what do you do? The men back in the high-priced land of the Middle West that are producing at a cost greater than $75 have got to go out of business. They will go out of business, because no man will continue in business very long if he is not making a profit, except for one reason, which I will explain later. That is just what happens in the meat industry. The cattle men in the Middle West on the high-priced land are producing beef. We will say there is no combination, but suppose there was a combination and they put that price down as low as they could put it and still keep the cattle coming in to supply the demand for which they dress beef. That encourages the man like I was out on the cheap grass of the West, my range did not cost me anything, to keep on producing cattle.

Mr. TINCHER. You must be on the forest reserve?

Mr. MONTGOMERY. Yes, sir. That has been the reason why we could produce the cattle, and the men back in Illinois had to go out of business. That is just what happened. I want to tell you a little experience there. The farm that I was born on my mother still owns, and while I have lived in the West I have looked after it and rented it. I have gone back there every year. I made up my mind, in order to maintain the fertility of the soil—it is very hard to get renters to feed cattle—in order to induce them to do it every year that they fed I put a provision in the lease that if they fed stock I reduced the price $2 per acre. Even with that bonus it was impossible to get those men to feed cattle every year. Some years they would feed cattle, but it got so that they would not feed any longer, and as a result one winter when I was back there I figured up and found that where my father fed a thousand head of cattle on that farm, in the whole township there was not a thousand head of cattle on feed.

Here is what took place with the producing cattle shipper in the West. Just about that time the agricultural colleges of the State started a campaign among the farmers to have them produce more cattle. You have seen those special cars which were used throughout the country. In every one of those cars was a representative of

one or two of the packers. Well, he went around and used bright pictures showing them why they should increase the yield of their land instead of selling the grain by putting it into cattle and fattening them.

We will not just assume that they did have control of the prices and that they wanted to increase the production. The natural assumption would be that that would either raise the price or if they could induce people to go back into the industry in order to maintain the fertility of the soil, which they realized was absolutely essential, they might proceed on this educational campaign. If you will just go back you will find that about the same time that the education campaign was starting, or soon thereafter, the packers engaged to open up the South American market. There was another cheap range proposition. In the meantime the population of the United States had been increasing and the production was not equaling the demand. Prior to the opening of this last war, as you all know, there were millions of pounds of Argentine beef—I do not know whether millions, but a lot of Argentine beef was being imported into this country, and all you have to do is to just let the same conditions exist and you will find this same Argentine beef starting back into this country. Gentlemen, I do not know whether or not you realize the effect that will have on conditions in this country. One-third of the population of this country lives on the farms, and there is no American community that can last any longer than the fertility of the soil. When you mine your soil you undermine your civilization. We will let that go. I just put that in to show you how I reason along an entirely different channel as to the extent of artificial control over prices of food animals.

During all of these years that I am telling you about, the farmers made a profit every year on their grain.

Now, then, I contend this: That every one of the things that the farmers produce, that they were producing, that we know were sold on an uncontrolled market—they sold every product that they produced, except beef, on what we know was an uncontrolled market, and there never was a single year that a farmer did not make money during the same period of 15 years. The farmers in Illinois can not make money raising cattle; they rent their farms, and nobody owns their own farm—they can not make money feeding cattle, and yet if the law of supply and demand had been allowed to regulate the price of feeding cattle there would have been a profit in it, feeding the corn into the cattle, just the same as there was a profit in producing that corn.

About five years ago, in 1913, after I had read enough of this literature that the packers had sent to me—I read about their profits, their system of bookkeeping, how they had arrived at the profits in slaughtering and the manufacturing of food products out of one steer and I decided that I would put in a little system of accountancy in my business.

Prior to that time I had run my business combined, sheep, cattle, and range, and all I knew was that I had some money in the bank, I knew what I had, and that is all I did know. Well, I segregated the three different lines of business and I ran a cattle account, I ran a sheep account, and I ran a range account. After I had run that

business for five years my cattle, after figuring 8 per cent on the investment, which was the rate of interest that was computed on borrowed money, had made in the five years a little better than $5 a head, although it was an upmarket during all of these years. My sheep had made a lot of money. They had advanced from an original cost of $5 a head, when I started in, to $16 a head, at the end of the period. So, I went back through those books and I figured what those sheep would have made if I had been running them all the time. In other words, that I had gotten the advantage of this unearned appreciation in their value. I found out that in the five years they would have made me just about a dollar a head, in the whole five years.

Mr. TINCHER. You made $5 a head?

Mr. MONTGOMERY. One dollar a head. The increase in the value of them I did not figure.

Mr. ANDERSON. Did you say that the value of the sheep in the period of five years increased from $5 to $16 a head?

Mr. MONTGOMERY. That is the original cost of my breeding herd.

Mr. ANDERSON. The value of the original breeding herd had increased from $5 to $16?

Mr. MONTGOMERY. Yes, sir.

Mr. TINCHER. And there were a lot of the sheep that you sold all the time for five or six dollars which were valued at eight or nine dollars, taking into account the time of handling them?

Mr. MONTGOMERY. There were a lot of lambs that were sold for $11.

Mr. TINCHER. You established your cattle business by figuring on a stable market?

Mr. MONTGOMERY. Yes, sir. During the same five years my ranch had made me some money, some years, $30 an acre. I took the hay, I took the beet tops and the feed that the ranch produced and I charged it up to the sheep and cattle, and when they came from the ranch I credited the ranch. I found this, that while I thought I was making a lot of money on the sheep and cattle that my land was making the money; it was not my live-stock business. As a result of these disclosures I did a little differently. I put a lot of money into the stock and I had it borrowed from the packer loan company, but I have no complaint to make of that; our business relations were all very pleasant on that score—I made up my mind that if I could not do any better than that on a rising market—I did not know where I would be on a falling market—I did not think that prices could keep on forever going up, and I decided that I would just rescue what little equity I had in the stuff, and as a consequence of that I sold out. In four months I sold 14,000 head of sheep and 1,200 head of cattle. When I tell you these conditions, I am not the only man that can not make money running live stock. They can not make it in Illinois. I could not make money. There were a lot of men who could not make money. These men continue in business. I tell you they do not all continue in the business.

I want to tell you that one man in my employ—one of them who worked for me 11 years and was my sheep man and my sheep feeder—had a farm in Colorado, and he lost the whole thing. He came up there and was the renter of one of my places, my foreman. He was a man who had a stake. He had started to work by the month and

had gotten a little money and was a renter. He got to feeding and lost everything he had until he could no longer run and he came to work for me. After he had worked for me about 9 or 10 years and had saved quite a little money, around $11,000 or $12,000, I thought I would make him a proposition to go into the sheep business. I wanted to be relieved of some of the work that I had. I made him a proposition that I would take what money he had and sell him an undivided interest and carry him for the balance. He would not do it. He said he had gotten burned once and he did not have the nerve to take a chance again. You gentlemen do not realize the working of a man's mind who has gone through a trial of that kind. A man watches this investigation down here to find out what has been done to him. How he reacts from that kind of treatment depends entirely on his temperament. He loses confidence in the courts. He sees these big men doing these things with impunity and he loses confidence. He questions the motive of the men in whose power it is to pass legislation regulating these things when they refuse to do it. He loses faith in humanity. The existence of these conditions are producing socialists, bolsheviks, and anarchists faster than the Attorney General's office will be able to get bottoms to ship them to Europe. That is a fact. I know just how they feel. I know how a lot of them talk. If a man is all right, if he goes out and makes money, he takes a little more liberal view of the situation, but if he is broke and is working his heart out he does not take such a liberal view.

I will tell you that right now we are in a critical time in the history of this country. European political scientists and economists have always said that the test of the American Government would come when we no longer had any free lands. I will tell you that the only way you can safeguard our democracy is to establish absolute confidence in its justice in the minds of the people. In order to do that you had better go a little too strong than not go strong enough. You better have a little economic waste and have confidence established in the Government than to have more efficiency and lose that confidence. That is what I contend. That is the reason I advocate this legislation.

Now, I am not in favor of a lot of drastic control, Government ownership, and that sort of thing, and I am not in favor of government by injunction. These people have thrived on injunctions. They have been operating under injunctions ever since 1903. An injunction does not bother those people any more than insect powder bothers a cootie. It just causes them to proceed with a little more caution. I say that the time has come when we need more drastic methods than immunity baths. I think that the beef-packing industry should be put through a delousing station and leave its old clothes behind it. That is my sentiment.

I do not know anything about legislation. I am not a lawyer. You men are experienced in the business and you know how to draft a law and to put it into effect, if you want to do it. I do not. I know what the country needs. That is all I have to say. I thank you for your attention.

Mr. TINCHER. I just want to ask you one question. I was interested in the testimony you read of the packers as to the profits that

the cattlemen had made on cattle. I know that the farmers quit feeding corn in Illinois.

Mr. YOUNG. The complaint I have heard was just exactly the same complaint that you make as to Illinois. I happen to know personally about these things.

Mr. MONTGOMERY. It might be.

Mr. YOUNG. I know personally, because my immediate family were engaged in the business and they wanted to follow the stock business. They finished their stock through these feeding pens—one year making some money and the next year losing what they had made the year before—and as a result of that uncertain business they all went out and went into something else. What the cause is is a matter to be determined. It is true in all of that part of the country.

Mr. BORDERS. Mr. Montgomery, in regard to your testimony about Mr. Veeder, is it not in the interest of the producers of live stock and of the consuming public also that there should not be a wastage in the consuming centers where the meat is sold?

Mr. MONTGOMERY. Yes, sir; I admit that, certainly.

Mr. BORDERS. That is correct?

Mr. MONTGOMERY. Yes, sir.

Mr. BORDERS. Do you not know, Mr. Montgomery, as a matter of fact, that that testimony showed and the fact is that this old pool was merely with reference to the marketing in the consuming centers to prevent gluts on the market?

Mr. MONTGOMERY. I presume they can explain it that way—you can explain anything—but when they tell me that these men met every Tuesday afternoon once a week and all they did in the world was to try to protect the waste product, some people might believe it, but I have had too much experience with human nature.

Mr. BORDERS. One other question. I do not want to take up your time and I do not want to take up the time of the committee, but I want the committee to understand the situation.

I notice that you have read and studied this question very thoroughly.

Mr. MONTGOMERY. No; only as it came out in the papers of the association.

Mr. BORDERS. You are a man above the average in intelligence.

Mr. MONTGOMERY. I thank you.

Mr. BORDERS. I was wondering whether you had observed that in the 1903 injunction the Supreme Court of the United States expressly provided that there should be cooperation to prevent this wastage in the shape of gluts; did that come to your attention?

Mr. MONTGOMERY. I think so; yes.

Mr. BORDERS. So far as the producers are concerned.

Mr. MONTGOMERY. But I think that had reference more to the transfer of the products, and that there should be more efficient and economical manufacturing. That was presumably, I think, what the Supreme Court aimed at. I do not think the Supreme Court ever said that it was just for you to divide up the territory

and that only so many pounds should be shipped into that territory in order that they might prevent wastage.

Mr. BORDERS. There is nothing of that sort in the Veeder pool, as you will find, if you will study the testimony.

Mr. ANDERSON. Of course, there were several pools and Mr. Borders is a little technical in referring specifically to the Veeder pool. I should like to ask you if it would be necessary to adopt a plan involving a penalty of 40 cents a hundred on a concern that shipped more than its proportionate share to a certain locality and a bonus the other way to a packer that shipped less, in order to prevent glutting the market?

Mr. MONTGOMERY. I do not think so.

Mr. ANDERSON. That would rather seem a part of the plan to apportion the territory?

Mr. MONTGOMERY. That is the way it would seem to me.

Mr. ANDERSON. Between the different packing establishments in order to prevent competition?

Mr. MONTGOMERY. Yes, sir.

Mr. RAINEY. Mr. Montgomery, you spoke about the cattle you shipped, the feeders, and they sold well, and you recited the fact of there being a market for the feeders?

Mr. MONTGOMERY. No; I wanted to emphasize the competition that we had in a phase of the industry that was not controlled. I cited that to show you what made me conclude that the packers were in a combination.

Mr. BORDERS. If you even took all the cattle out of the stock yards and ran them up there would be a clear loss?

Mr. MONTGOMERY. That would be a question.

Mr. BORDERS. My thought is that there is a question for real economic and disinterested investigation.

Mr. MONTGOMERY. That is an argument for combination on the other side?

Mr. BORDERS. No. I mean that is a question where too many might be worked up.

Mr. MONTGOMERY. Through combination or just control?

Mr. BORDERS. Through an economic investigation so that there would be no waste in the purchase of these stockers and feeders. If a buyer buys more than the situation warrants and you have run up the price of the poor cattle, he starts out with a loss on his hands?

Mr. MONTGOMERY. Ordinarily.

Mr. RAINEY. Suppose you were shipping cattle to Denver and sent a man along in charge and when they were on the way you discovered you could get a better price in Omaha for the cattle, would you send them to Omaha?

Mr. MONTGOMERY. I surely would, if I thought I could get a better price.

Mr. RAINEY. You would wire your man to go to Omaha with the cattle?

Mr. MONTGOMERY. Yes, sir.

Mr. RAINEY. If you feel it is proper for you to do that, do you think that it is reprehensible for the packer in Denver to wire to Omaha what price he offered?

Mr. MONTGOMERY. No.

Mr. RAINEY. There is nothing wrong about that?

Mr. MONTGOMERY. I was just citing that. They could easily know that without being in a combination.

Mr. RAINEY. What is the price of pasture lands in Illinois?

Mr. MONTGOMERY. The value of the land?

Mr. RAINEY. What does it cost to rent farm land in Illinois to pasture cattle on, what price would be paid per acre?

Mr. MONTGOMERY. I am not quite familiar with what it would cost right now. It would cost you about $10 to $14, dependent upon the pasture, for the summer.

Mr. RAINEY. What does it cost you in Wyoming?

Mr. COLLINS. Per year?

Mr. MONTGOMERY. Per head.

Mr. RAINEY. What is the price per acre for land in Wyoming where you are from?

Mr. MONTGOMERY. Nothing. We run on the Government land, the forest reserve. While I do not pay for my grazing, I get a free range directly—indirectly I do pay for it through some increased loss. I think I can run a bunch of cattle in Illinois at $10 or $12 a head on Illinois land just about as cheap as I can right now in Wyoming. That was not true a few years ago, but we have quite a considerable loss in Wyoming in the summer on account of the poison weed and that sort of thing, which makes it cost much more.

Mr. RAINEY. The point I make, on account of the value of acreage in Illinois it would be more profitable for a farmer to use the grain?

Mr. MONTGOMERY. Yes, sir. If we did not have a controlled market it would be just as profitable to feed the cattle for market as it would be to raise the grain. I think it would be the natural inference that there would be; you could not prove it.

Mr. RAINEY. You received some of the advertisements or the literature that the packers have been sending out. It has been termed propaganda. It was beneficial to you?

Mr. MONTGOMERY. Yes, sir; it helped me. It got me started on a new line.

Mr. RAINEY. It helped you to systematize your business?

Mr. MONTGOMERY. Yes, sir.

Mr. RAINEY. And as a result of that propaganda it made you a better live-stock man?

Mr. MONTGOMERY. Yes, sir. It was good to start fires with, I admit that.

Mr. RAINEY. Not only to start fires with, but it is good to start an energetic, capable gentleman like you thinking, and probably that is beneficial at times. In Wyoming you might need a little paper to get a fire under way. In this particular instance it has made a better live-stock man out of you; it has taught you.

Mr. MONTGOMERY. I do not know that it has now.

Mr. RAINEY. I mean five years ago.

Mr. MONTGOMERY. Yes, sir.

Mr. RAINEY. It taught you how to more efficiently handle your business?

Mr. MONTGOMERY. Yes, sir.

Mr. RAINEY. Consequently it educated you.

Mr. MONTGOMERY. It did not teach me how to more efficiently handle my live stock; I know that.

Mr. RAINEY. You spoke of a great many producers failing. Is not that true in all lines of business we have failures?

Mr. MONTGOMERY. Certainly.

Mr. RAINEY. The packers are not responsible for the failures?

Mr. MONTGOMERY. I will not accure them of that.

Mr. RAINEY. With reference to losing money in cattle. It enhances the value of the land by reason of the cattle; increase the fertility of the soil?

Mr. MONTGOMERY. It certainly does. I think that is the only reason the men in the Middle West go on. The reason they are doing it is to maintain the fertility of the soil. They have found out that by feeding their crops on their land that although the feeding operation may not make a nickel and they may lose money, still by the fact that they have that manure to go back on the land and so increase the crops that they will raise of some other produce that they can sell on the open market and make money. That is the reason 90 per cent of the cattle are on feed through that country. The men feeding for speculation are very few.

Mr. RAINEY. If they do not make it directly through the cattle they make it through the crops?

Mr. MONTGOMERY. That is the reason they are feeding them; that is the only reason they are feeding them.

Mr. RAINEY. With reference to refrigerator cars we were discussing yesterday, do you think if the refrigerator cars were taken away from the packers that the producers would get higher prices for their live stock?

Mr. MONTGOMERY. I do not know anything about that. That is not worrying me very much. If we know that we are getting all that the stuff is worth and that no one has gotten an unfair hold on us, we are satisfied with whatever we get. That is not what we are fighting for, to get higher prices; we are fighting to get what we think is a wrong condition adjusted; that is what we are fighting for.

Mr. RAINEY. What is your idea about the producers owning the stockyards?

Mr. MONTGOMERY. I do not think that you can force the producer to do that.

Mr. RAINEY. I was wondering if it would help the producer?

Mr. MONTGOMERY. I would not be in favor of any cooperative proposition to handle them.

Mr. RAINEY. Do you think the appointment of a commission would help the producer?

Mr. MONTGOMERY. I think it will; that is, if we can get supervision somewhat similar to that over the railroads. I do not think there is anyone who will deny that the situation is infinitely better since the commission has had control over the railroads than it was in the old days, prior to that time. I think what we need is control in the packing industry similar, probably, to that we have of the railroads.

Mr. RAINEY. That is all, Mr. Montgomery.

Mr. STINNETT. In answer to a question in reference to the feeding of oil meal in Texas, your impression was that probably the cottonseed oil and cake had probably found another outlet?

Mr. MONTGOMERY. Yes, sir.

Mr. STINNETT. Is it not a fact that you are not familiar with the situation?

Mr. MONTGOMERY. That is true, Mr. Stinnett. I do not know. I would think that might be the reason.

Mr. STINNETT. That will be covered by the gentlemen from Texas?

Mr. MONTGOMERY. I would not attempt to give any opinion on that.

Mr. ANDERSON. About the stockyard business, I will have to do a little testifying myself before the committee to develop what I think are the sound reasons why the stockyards should not be owned by the large packing corporations. The stockyards are the gateways through which all the cattle pass to slaughter, are they not?

Mr. MONTGOMERY. Yes, sir.

Mr. ANDERSON. And the owner of the gateway, who is the packer, takes his toll off every head of cattle or hogs that comes through the gateway?

Mr. MONTGOMERY. Yes, sir.

Mr. ANDERSON. Takes the toll, whether the cattle are sold to him or sold to his competitor or sold to some farmer or stocker or feeder?

Mr. MONTGOMERY. Yes, sir.

Mr. ANDERSON. And that toll is included in the entire chain of costs between what the farmer gets for the cattle and what the packer gets for the beef when he sells it?

Mr. MONTGOMERY. Yes, sir.

Mr. ANDERSON. There is nothing new in that situation. The Standard Oil Co. had a somewhat similar one in their rebates on the oil that they shipped and the oil which their competitors shipped. The American packer, by virtue of his ownership of the stockyards, has an advantage in the profit which he gets on the cattle which are purchased by his competitors?

Mr. MONTGOMERY. Yes, sir.

Mr. ANDERSON. That is the real objection, as I see it, to the ownership of the stockyards by the packers?

Mr. MONTGOMERY. I think they should be divorced from the ownership of the stockyards.

Mr. ANDERSON. You referred to the fact that in the case of a shipment of steers that you found the information as to the entire transaction at Denver had been wired to Chicago?

Mr. MONTGOMERY. Yes, sir.

Mr. ANDERSON. And that is another reason why the ownership of the stockyards gives an advantage to the packer who owns stock in the stockyards against his competitor who does not?

Mr. MONTGOMERY. Yes, sir; that is right.

Mr. RAINEY. This decree divests the packers of ownership in the stockyards, does it not?

Mr. MONTGOMERY. I am not much interested in this decree. I do not think that it affects them much.

Mr. RAINEY. But it does?

Mr. MONTGOMERY. Well, I guess it does, perhaps.

The CHAIRMAN. I gather from what you say that free and open competition is what you desire?

Mr. MONTGOMERY. Yes, sir; that is what I want.

The CHAIRMAN. Are the rates unreasonable in the stockyards?

Mr. MONTGOMERY. I will not say so. They may be. They probably give service for the charge, but I will not say that the charge is exorbitant.

The CHAIRMAN. The real object is free and open competition, to give everybody a chance?

Mr. MONTGOMERY. Yes, sir. What we want is a condition where no one has an unfair advantage.

Mr. ANDERSON. I should like to have the committee hear Mr. Carey, of Wyoming.

The CHAIRMAN. Very well.

STATEMENT OF MR. CHARLES D. CAREY, CHEYENNE, WYO.

Mr. CAREY. I am a member of the market committee of the American Live Stock Association, of the executive committee, also of the same association; I am a member of the executive committee of the Wyoming Stock Growers' Association, but I am not representing them at this time, because I only received notice at 4 o'clock in the afternoon and I left Cheyenne that night and forgot to see them.

There have been two or three questions asked, which are rather in my mind, and I think I can answer them. I do not know your name. Is it all right to answer the questions of the packers?

Mr. ANDERSON. Certainly.

Mr. CAREY. You asked Mr. Montgomery in regard to the feeders and as to taking a loss on cattle.

Mr. BORDERS. My question was if he did not know of many instances where feeders were started out of the stockyards with a particular bunch of cattle at a loss on his hands.

Mr. CAREY. Or he took that loss afterwards?

Mr. BORDERS. He took it afterwards.

Mr. CAREY. I think I can answer that question. I happen to know of a case. I do not mean to bring other men's names into this, but the men I have in mind are associated with the stockmen in some way, because at Denver there are two packing plants, Armour & Co. and Swift & Co., and, as was shown by young Phil Armour's letter to his uncle, they went 50–50 on what they bought there. That shows that they split up what they took in Denver. One of these men told me of the treatment that he received from the packers and I said, "For heaven's sake, why do you not go down to Washington and appear before the committee?" He said, "I can not do it." They have feeders at Eaton, Colo., and they have a ranch in Wyoming. He told me the difficulties they had sometimes in getting a cattle market and somebody else to take them. I think he knew what he was talking about, because he told me that they knifed him on some of his cattle. That is where he got his loss. At least that is the inference he gave me.

I think you asked Mr. Montgomery a question in regard to what it cost to lease lands in Wyoming. I have leased them as low as 5 cents an acre, and Senator Warren pays 40 cents an acre for some lands.

The CHAIRMAN. How many acres does it require to pasture an animal, a steer, say, 2 years old?

Mr. CAREY. I can give you a little information on that. On one ranch we raise nothing but registered Hereford cattle. They do fine in the pastures. I have several pastures of one mile square—640 acres. I turn the cattle into these pastures and off onto the meadows as soon as I can in the spring. Sometimes they come along in June and by September there are 50 head of cattle in each one of these pastures. By that time these pastures are clean. That would be on the basis of three months, would it not? That would be about 40 acres to an animal. When you consider that the cattle walk back and forth all over the pasture the grass would not go as far an entire year as it would for three months.

The CHAIRMAN. That is, 50 cattle on a square mile—640 acres?

Mr. CAREY. Yes, sir; just for four months, during the summer.

The CHAIRMAN. Nearly 13 acres for a third of a year?

Mr. CAREY. For a fourth of a year. We turn them out to run June, July, August, and September.

The CHAIRMAN. Four months?

Mr. CAREY. Yes, sir.

The CHAIRMAN. Then it requires three times that amount?

Mr. CAREY. Yes, sir.

The CHAIRMAN. About 38 acres?

Mr. CAREY. About 38 acres; that is only for three months. If those cattle were to run on the grass, travel back and forth, they would keep the pasture down.

The CHAIRMAN. What would be the average for the year?

Mr. CAREY. All I know is just what I have told you. That is the only thing that I have kept close tab on.

The CHAIRMAN. What would be the average cost, 10 cents?

Mr. CAREY. Ten cents for the leased State land.

The CHAIRMAN. Ten cents an acre?

Mr. CAREY. Yes, sir; and for 50 that would be $5. Forty cents would be cheap for the land. If the land is valued at $10, that would only be 4 per cent on $10—40 cents.

The CHAIRMAN. I was trying to get the average for grazing feed on the cost per animal.

Mr. CAREY. I see. Now, if I may answer Mr. Tincher's question as to whether ranches are paying, I would say they are not paying, and if I may relate a personal experience here about a herd with which I am acquainted it will illustrate that point. My father started in the cattle business; in fact, was one of the first men to go into the Wyoming country; and in those days they had about 40,000 head of cattle, and the calf branding ran as high as 9,800 head. Out of that herd there has been no she stuff sold, except the older ones that went to market—that is to say, we have never sold any she stuff out except the oldest ones to get rid of them. That herd to-day has diminished until it numbers 6,000 head, including everything.

Mr. TINCHER. The point I have in mind is this: I made the assertion that at either the Colorado or Kansas meeting of the Live Stock Association that the cattlemen thought that they were pretty well to do; that there was not a cattleman in my acquaintance but what I could account for his net worth by the increase in the value of his

real estate. Some of them thought there was big money to be made on cattle, and I made that assertion, applying it 20 years back, and I just wanted to know if any cattleman can account for any of his net worth by reason of dealing in cattle. If so, I want to get his name and look him up as a curiosity. I have read the testimony of these gentlemen here disclosing the fact that cattlemen are disposed to get rich every year on cattle. My proposition is that a man who has handled cattle for 20 years, as far as his net worth can be accounted for, any money he is shown to have made is because of the increase in the value of the real estate or by some other transaction than the handling of the cattle.

The CHAIRMAN. Is not that true of farming generally; that the increase in the land represents the farmers increase in net worth?

Mr. TINCHER. No; I would not say it was. The cattle business is the only business that I know of to which that directly applies. While a man in the cattle business might make a few dollars one year, they have been able to take it away from another year. So that in the average over 20 years the cattle man can not show a net earning of one dollar.

Mr. BORDERS. On that point, this gentleman speaks of Mr. Clayton, of Colorado. I do not know, but I think Clayton did not have what we ordinarily say "a dollar"——

Mr. CAREY (interposing). Mr. Clayton has made that money speculating in the yards at Denver after he left Omaha.

Mr. BORDERS. He is now worth over $1,000,000.

Mr. TINCHER. He did not make it producing cattle. He will not come here and say that he made any of it producing cattle. I assume he is an honest man, from the recommendations that have been given here, and I am sure he would not come before us and claim that he made his wealth producing cattle. He is out there speculating in cattle in the yards.

Mr. BORDERS. I do not make this statement simply for the purpose of argument, but hoping that something may come out of it. The speculator in the yards should be understood. The gentleman spoke of Mr. Clayton being "a speculator." Will he explain to this committee just what "a speculator" is, as I think it will throw a good deal of light on this subject.

Mr. CAREY. I think I can cover that.

Mr. BORDERS. What is a speculator? Let us see where Mr. Clayton stands.

Mr. CAREY. The cattleman goes to the market only once in while, and does not have the opportunity that others may have of becoming familiar with these things.

Mr. BORDERS. Between us, you and I will get it out.

Mr. CAREY. All right. Let me illustrate by saying that I know a man who went to the market with between 400 and 500 head of steers. I won't mention the commission men's names, because there is no use bringing them in here, because there are lots of people who have confidence in them.

Mr. BORDERS. It is not a particular instance I care about.

Mr. CAREY. This is going to answer your question, exactly.

Mr. BORDERS. As to just what a speculator is?

Mr. CAREY. This shows what a speculator has done and what he is. My feelings are not all against the packers.

Mr. BORDERS. I am glad to hear you say that.

Mr. CAREY. There are certain conditions in the market, apart from the packers. Those conditions were greatly improved under the license system that went on during the war, which you people who are packer representatives object, but which you flourished under.

I will come right down to this point, in view: This man went to the market with 450 head of yearlings and 2-year-old steers. I am showing you the condition the stockyards are in. When he got into the market, the yards were so congested and his cattle were packed in there so that part of them did not get to the feed. The commission man did not get his yearlings separated from his 2-year-olds. His commission man came around and said that a buyer from Missouri was going to buy the cattle. He turned to the feeder buyer of the same commission firm and asked if he could not buy them. He said he could not, and rather against his protest the cattle were sold. That man told me about the incident, and I had him telegraph me the figures on it, and I have his telegram, saying that the cattle were marketed November 15; were sold to speculators, average price $7.06; received from $7.10 to $7.60 with increase in weight of about 10 pounds per head. He states, "Prefer you keep the names as private and confidential."

Mr. ANDERSON. When was this transaction?

Mr. CAREY. November 15, 1915. These conditions have been going on for a long time. This man felt that he was stung on the price, and he wandered around the yard——

Mr. ANDERSON (interposing). This fellow you are referring to who bought the cattle and sold them again himself was one of these speculators who "don't make any money"?

Mr. CAREY. It was a case of a cattleman who went into the yard, selling to the commission man who was paid to handle the business. The commission man told him they were going to a feeder in Missouri. He saw his cattle going to the speculator's pen, and it was the speculators who got them.

Mr. ANDERSON. This fellow who "did not make any money" got them at 7.06 and sold them at 7.60?

Mr. CAREY. Yes. First of all he was deceived and thought they were going to a Missouri buyer. He followed his cattle over and saw them go to the feeder yards where there was plenty of hay, and they were assorted into yearlings and two-year-olds, and that afternoon these cattle sold on an average of 7.10 to 7.60. That is the way he puts it in this telegram. That would make an average of 7.35.

The CHAIRMAN. How much did the shipper get?

Mr. CAREY. He got 7.06.

The CHAIRMAN. How much were they sold for?

Mr. CAREY. They were sold on an average of 7.35—that is, from 7.10 to 7.60—and in the afternoon when they were weighed to the speculators the scales showed they had a fill on them of 10 pounds, which the producer did not get.

I have put these figures as conservatively as possible. You are familiar with live stock, I presume. Would 800 pounds be a low average to put on yearlings and two-year-olds? That is perfectly

fair, is it not? If so, that would amount to 360,000 pounds of beef. I have figured this thing down here and find that he made $1,044 on the actual increase in the price, and on the fill of the weight made $330.75, or he made a total of $1,374.75. Those figures are all that I could work out from this telegram, and I have tried to do the thing fairly.

Mr. BORDERS. I would like to develop, not for the purpose of argument, what your position is toward the speculator in the yard. Do you favor the speculator, or do you not?

Mr. CAREY. I will tell you, answering your question, that that is one thing I do not know enough about to make a statement in relation to it. Another man having his trouble with speculators, told me his difficulties with them. In the first place, that man was deceived by the commission man who told him that the cattle were going to a Missouri buyer, and here the speculator made that money on him on the afternoon besides the commission man got two profits of 50 cents a head, both ways, which made $1 a head.

Mr. BORDERS. Just a moment before you do that. A "speculator" is a man who buys stock at the market in the yards in competition with the packers and then sells them back to the packers or whomsoever he can sell them to; is not that true?

Mr. CAREY. My only phase in connection with this cattle business is the stuff I really know, and what I do not believe I know I would rather not make statements about.

Mr. BORDERS. I know you would not want to, and I would not want you to.

Mr. CAREY. This is from a perfectly reliable man.

Mr. ANDERSON. Your real complaint is against the commission man, because he was the fellow who really owed an obligation to the shipper, and he violated that obligation when he deceived the shipper as to who the purchasers were?

Mr. CAREY. We have commission men who are not straight, some of them. Some are straight. Take any group of men and some are straight and some are crooked. I judged that this whole hearing was first to learn whether we needed legislation that would control the crooked men among the straight ones.

Mr. ANDERSON. Do you think that if there was a supervision of the yards and of the commission men that this sort of business that you have referred to would be less frequent than it has been?

Mr. CAREY. I think if there was some law there and that if we had a commission we could go before or somebody we could go before it would solve the difficulty. Look at the situation here. We have gone four or five years and we have only gotten to the point that this bill is in Congress. They say, "Why, under this injunction you can do anything you want." How are we going to do it? If we are wrong, and they say "you are wrong," all right; that is all. The representatives of the packers have been talking about nothing but an injunction. There is nothing in the bill that mentions an injunction, and if we stick right down to the bill it will be better. All we want is somebody we can go before and somebody that is fair and somebody that we can put our claims before, and if we are wrong, we are wrong.

I have a great deal more faith in something our Government tells me than I have in what the packers tell me.

The CHAIRMAN. I would like to discuss these commission men. I have been dealing with them for 40 years. I know there are some high-class commission men, and I know there are some that are not of the highest class. The commission men are at the mercy of the packers and the scalpers, or what you call speculators. Is there any difference between a scalper and a speculator, as the term goes in the yard?

Mr. CAREY. I believe not.

The CHAIRMAN. They are practically the same?

Mr. CAREY. Yes, sir.

The CHAIRMAN. Is it not a fact that the commission men are absolutely at the mercy of the packer and the scalper? Are they not their customers, and do they not have to do their bidding?

Mr. CAREY. Absolutely. I will put the thing this way: I would recommends that there be a license. They are under a license of the packers—not really a "license," but the same thing. The packers are fighting the license system. The commission men are under them. I might just draw out a conclusion of this kind: If you came to Washington during the war time and everything was packed in the way of hotel accommodations, and you went into a hotel you would be pretty partcicular to follow the rules of that hotel.

The CHAIRMAN. Under the rules of the stockyards, the shipper is compelled to sell to the commission man?

Mr. CAREY. Yes, sir.

The CHAIRMAN. There is no other way of disposing of the stock?

Mr. CAREY. There is, but they never do it. I do not know whether he could sell his stock to somebody outside the yards, but they never do it.

The CHAIRMAN. Do you know of a single case where they have been sold outside the commission men?

Mr. CAREY. No; I do not.

The CHAIRMAN. Is there probably some agreement with the buyers that they have to buy through the commission men to protect the commission men?

Mr. CAREY. Yes.

The CHAIRMAN. Is there any other way of buying cattle through the stockyards than buying them through the commission men?

Mr. J. P. LYNN. Yes.

The CHAIRMAN. What yards?

Mr. LYNN. All of them.

Mr. COLLINS. Do they do it?

Mr. LYNN. Yes, sir.

Mr. COLLINS. Where do they do it?

Mr. LYNN. In Omaha, St. Joe, Kansas City, Denver——

Mr. COLLINS (interposing). What percentage of them?

Mr. LYNN. Any percentage you want to buy.

Mr. COLLINS. I am asking you what per cent goes that way?

The CHAIRMAN. Is it not a fact that you ship your cattle to commission men? I am familiar with the practice at Omaha, St. Paul, St. Louis, and Chicago. I have been operating there 40 years as a shipper and buyer in a small way.

You ship to the commission men and the stock is sold, it either goes to the packer or it goes to the scalper?

Mr. CAREY. Yes.

The CHAIRMAN. Stock can not be sold directly to the buyers throughout the country?

Mr. CAREY. Not that I know of. I do not know of a case where it has been done.

The CHAIRMAN. Because the commission man is absolutely at the mercy of the packer and the scalper?

Mr. CAREY. Mr. Haugen, I want to show you the effect it has. I went to market a couple of times last fall, and it was apparent the remarkable way in which propaganda spreads out. My commission man I believe to be a good one or I would not ship to him. But he said to me, "How do you feel about this legislation?" I said, "I am for it." He said, "We do not care, of course, but all we want is nice yards down here and for them to be run right. You know what the Government did when it had the railroads under it."

You can imagine the effect such propaganda would have on a little man coming in, when he has confidence in his commission man, and fill him up with that kind of thing, and make him believe that everything is going to smash if the Government gets control. I will say that I am one man who wants to say that I got very good service out of the railroads under the Government. The Union Pacific ran two stock trains, and in the one case I used them they handled it mighty well.

Mr. VOIGT. I would like to ask you a question right there: You spoke of your friend having sold his cattle at 7.06 to a scalper to be shipped to Missouri?

Mr. CAREY. That is what the commission man told him, that they were to be sold to a buyer from Missouri, but it turned out that a scalper bought them; they did not play straight with him.

Mr. VOIGT. Might it not be possible that the buyer paid 7.06, intending to ship to Missouri, and later found he could get a better price from the packers in the stockyards?

Mr. CAREY. If I can make that clear to you I shall be glad to do so. He went to his commission company, and their man who sold his cattle told him they were going to a buyer in Missouri. They finally got there. But how did they go? The commission man sold them to the speculator, and then another buyer of the same commission firm went back and bought them. The commission firm got two commissions of 50 cents a head. In other words, they made a double commission, amounting to $1. I think that comes from a rule in the exchange. Am I right about that, Mr. McDonald, that a man can not buy and sell in that way?

Mr. MCDONALD. Yes.

Mr. CAREY. I am going in a roundabout way to get this thing before you, but that case occurred to me.

Mr. VOIGT. Did the commission men sell the cattle at the highest price at which cattle were bought at that time of day?

Mr. CAREY. That I do not know.

Mr. VOIGT. Did he ship cattle to different stockyards, and were the cattle sold on different days of the week or different times of the day at different prices and not based upon the law of supply and demand but upon the temporary situation in the stockyards?

Mr. CAREY. If anybody can explain to me how it worked, I would like to be convinced.

Mr. VOIGT. This whole transaction occurred in one day?

Mr. CAREY. Yes, sir; in the morning and afternoon. And the way this man got onto the thing was that he was up in the commission man's office reading a newspaper, and this feeder-buyer came and announced that he had sold this man's cattle to So-and-so; and this man had enough sense to keep a newspaper up until everything was in black and white.

Mr. VOIGT. Then you say in one day, in one stockyard, these cattle sold at different prices, sometimes at 7.06, at another time 7.10, and sometimes at 7.60?

Mr. CAREY. Yes.

The CHAIRMAN. Speaking of the stockyards in Chicago, is it not a fact that under the Government license rules as modified the cattle might be sold in car-load lots but not in split lots outside of the scalpers or speculators, as you might call them?

Mr. CAREY. Mr. Haugen, that is something I am not familiar with. I have not been on the Chicago market since I was a boy.

Mr. HAUGEN. I want that made clear.

Mr. TINCHER. On that subject, let me make a suggestion and see if it is right: While the gentleman over there [Mr. Lynn] is technically right, there is not any rule of the stockyards or the exchanges that prohibits the purchaser buying direct from any other man. The only thing that hinders you from doing that is this: If you ship in cattle and I am wanting to buy, if I attempt to buy your cattle I make Mr. Commissionman mad, I make Mr. Speculator mad, and while, if I was persistent, I might buy a carload or two "direct," as we used to call it, at an advance price of $1 a hundred. yet it would not take over one day to show me and my banker that I was a fool on the yards, and I would abandon the practice.

Mr. CAREY. Mr. Ames, I am pretty sure, can answer that question, as he was in the commission business. Can you not do that, Mr. Ames?

Mr. AMES. I can.

Mr. TINCHER. He does not have anything to answer. I have seen them sitting around on the fence enough, so that I know I got it from personal observation.

Mr. BORDERS. While we are on this question of "scalpers," and in reply to your suggestion, it is inconceivable that the packer would want thato afternoon to go and pay to that speculator more money—and if they do not he does not make any money at all, and the scalper can not stay on the market—than the packer could have bought them for in the morning. So that whenever a scalper buys on the market in competition with the packer and sells to the packer, the packer is never paying more than they could have been bought for in the morning. So that you can see in the morning just as clear as two and two make four that it is not in the interest of the packer to have a scalper or other people between the producer and the packer boosting the price; and yet Mr. Clayton buying in competition with the packer and selling to the packer makes $1,000,000. I just want to bring that out.

Mr. TINCHER. Will Clayton be here? I am wondering if Clayton has not made his money in this way, buying his hundred head of cattle from the producer on the yards, selling the 10 heads to the

packer and the other 90 head back to the fellow who is going to feed them for his profit, and letting the packer have the top tail end?

Mr. CAREY. I believe you are right on that.

Mr. TINCHER. I do not know him, but I know some buyers in other yards.

Mr. PATRICK of Wyoming. There is not a deal in cattle that is too large for Charley Clayton to take a hand in, and he does not take a hand in a trade unless he makes a dollar or more on the turnover. It may be 500 head of cattle and it may be 5,000.

Mr. BORDERS. When he buys his beef cattle he buys them in competition with the packers, does he not?

Mr. PATRICK. He goes out on the range and buys anywhere he can to make money, and he buys them straight and honest.

Mr. BORDERS. He sells them in the yards?

Mr. PATRICK. He sells them in the yard and anywhere else.

Mr. BORDERS. To the packer?

Mr. PATRICK. To the packer or anybody else.

Mr. TINCHER. He is not a producer?

Mr. PATRICK. I do not consider Mr. Clayton a very great producer.

Mr. TINCHER. He is not a fair sample of a man to hold up as a producer.

Mr. PATRICK. He feeds lots of cattle, but he does not raise any cattle to amount to anything.

Mr. CAREY. While we are on the subject, if Mr. Clayton is afraid his stuff is going to be sliced, he is in exactly the same situation as the commission man or anybody else; he is more or less influenced for fear those cattle are going to get a little knockdown when they get to market.

If I may go on, you were asking about what cattle paid. The income tax has had its advantages and has taught all of us ranchmen a little something.

These figures were gotten together very hurriedly, as I say, as I only had the afternoon in which to prepare them. I figured out what percentage we had made in the last three years in the value that we carried our cattle and our ranches on the books. Our inventories had the cattle inventoried at $30 a head. If there are any of these packer men who know about the price of cattle, will they state whether that is low or not? And we had our ranch land in a place where it produced hay. Mr. Haugen, this is a ranch which is practically a large farm under irrigation. We valued those lands at about $19 an acre.

On the basis of those figures we made 1.92 per cent in 1915; in 1918 we made 17.14 per cent, and last year we made nine-tenths of 1 per cent. That is all we made out of that. These figures are not juggled; we have put the cost of cattle in at the cost of production of hay—and at the cost of wages and running expenses, and the reason was that the prices were a little higher in 1918, but we sold more cattle. That winter was a very good winter, and we did not have to feed very much.

That is on a turnover of four years, and when the packers talk of "turnover" they mention three different ways. At one place they say they turn over 5½ times and at another place they practically

[illegible] that is the

[illegible] him?

[illegible]

[illegible]

[illegible]

(Thereupon at 12.05 o'clock p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.
The CHAIRMAN. Mr. Carey, you may proceed.

STATEMENT OF MR. CHARLES D. CAREY, OF CHEYENNE, WYO.—Resumed.

Mr. CAREY. Mr. Chairman, there is another way that has not been gone into that shows how cattlemen lose when they go to the markets. When a man ships a trainload of cattle in, he starts out on his round-up, and I suppose some of these men here are familiar with the way a round-up works. The round-up men go around and pick out the cattle that are fat and ready for market. That is when he is shipping beef cattle. At the end of the season he may be shipping tail ends. When that stuff gets to market, they all have a man there who buys for the packing houses and he does this buying every day and thinks he can classify cattle, and I have no doubt he can classify cattle, but when he classifies them, and you get through with the market, the man who thought he knew something about classifying cattle would not believe he knew anything about it. Now, this can be shown by shipment after shipment that goes in, but I happen to have one carload of registered Hereford cows, some of them were barren and some of them were 3-year-olds, but had black noses or were wrong in some way in their markings, so that they should not have been in a purebred herd. To show you that these cattle were good, I had cut my herd down for the last three years because the ranch would not accommodate them, and therefore I had to run a smaller herd. Now, this one carload that went into the market tells the story better than all these statements.

The CHAIRMAN. Mr. Carey, will you suspend a moment. Mr. Fuller, of Iowa, came here with the understanding that he might be heard to-day or to-morrow. I understand that he must leave the city and it will be impossible for him to return for a week or two. If agreeable, arrangements will be made to hear Mr. Fuller to-day. The committee will sit that much longer this evening to make up the time, so as not to inconvenience anybody. Will that be agreeable to all present?

Mr. RAINEY. I have no objection.

The CHAIRMAN. We want to accommodate everybody so far as we can. It would seem quite a hardship to have him go home and come back again when he desires only a very short time.

Mr. VEEDER. Mr. Chairman, may I ask that Mr. Vereen, who is from Georgia, be extended the same privilege. He came up here and will not be able to come back, and his statement will only take a few moments.

The CHAIRMAN. About how long, Mr. Veeder?

Mr. VEEDER. Of course, if you people ask him no questions, I should say 15 minutes.

Mr. ANDERSON. Of course, I will not agree not to ask him any questions.

Mr. VEEDER. No; I am simply estimating the time, and that is the only time I could estimate.

Mr. ANDERSON. I am perfectly willing to give him all the leeway we can.

The CHAIRMAN. Very well, then; will you communicate with him?

Mr. VEEDER. I will try to reach him immediately, Mr. Chairman.

Mr. CAREY. Now, Mr. Chairman, just to go back with reference to this one carload, this was on September 2, this last year, 1919. This was a carload of 22 cows, and as I say, they were pure bred registered cows which I shipped to the market. Now, this was a carload of cattle that were even right straight through. I was convinced of that but since I got the returns on these cattle I asked the two men with me who saw the cattle go out, in regard to them, to be sure that I was right.

Now, then, they cut this carload of cows in two, and 10 head sold for $11.25 and 12 head sold for $8.25, a difference of $3 a 100. Now, I defy any man who ate the beef to tell any difference in the beef.

Mr. COLLINS. What was the difference in the weight?

Mr. CAREY. The difference in the weight was 149 pounds, the light end weighing 1,010 pounds.

Mr. COLLINS. What did they bring?

Mr. CAREY. $8.25, and the other end that weighed 149 pounds more, that is, 1,159 pounds, brought $11.25, just a difference of $3 all along. That is what happens when we get to the market. That made a difference in those cows——

Mr. COLLINS (interposing). They were all fat?

Mr. CAREY. I will ask you because you are a cow man—there were some three year olds, and I will ask you if a cow that weighs 1,010 pounds is fat.

Mr. COLLINS. I would consider her so, yes. She would have to be fat unless she was of an extraordinary large frame, big, old cows.

Mr. CAREY. There were not any old cows in the lot because the old cows were not shipped.

Mr. COLLINS. Who bought both the bunches?

Mr. CAREY. A man named Sullivan bought the 10. I do not know who Sullivan is, and Armour bought the 12, the tail end—I claim there was no tail end in this case. That made a difference in the price of these animals of $130.39 for the 10 head and $83.74 for the others.

Now, then, if they say it was on account of the difference in the weight of these cattle, on the same day there were some Texas cows that I shipped and there were some that weighed 981 pounds that sold for $8.75, higher than the big, heavier cows in this shipment. Now, there is no rhyme or reason to such a market, and there is no way a man can feel that he can justify that when he tries to dig out from the returns just what they mean.

Now, then; there are several other things about this that I could talk about, but there are other men here who want to go on in reference to the expense of yards and things of that kind. May I put this in the record?

[Ingwersen Bros., live stock commission merchants, Omaha, Chicago, Sioux City.]

STOCK YARDS STATION.
Omaha, Nebr., September 2, 1919.

YU Sold for account of J. M. Carey & Bros., Cheyenne, Wyo.:

Sold to—	No.	Class.	Weight.	Average.	Price.	Amount.	Total.
Armour	18	Cows	17,680	$9.81	$8.75	$1,547.00	
Harvey 20	22	.....do	18,930	8.60	7.00	1,325 10	
Do	18	.....do	13,920	7.50	5 65	786 48	
Armour	1	Steers	820	.....	10.50	86 10	
Do	35	Calves	7,730	.....	11.50	888 95	
Do	2	.....do	660	.....	10 50	69 30	
Do	1	.....do	80	.....	6 00	4.80	
	97		59,820	.....	.....		$4,707.73

N. P. minimum.		Freight, including feed on road	269.14	
4 cars, 22,000 lbs. each (88,000 lbs.), rate 38	$334.40	Yardage	25 40	
Terminal	3.00	Hay	12.97	
Feed, Cheyenne	40.00	Nat. L. S. P. L.	.16	
3 per cent war tax	11.32	Insurance	.64	
	388.72	Commission	59.80	
Charged others	119.58			368.11
	269.14	Net proceeds		4,339.62

New York exchange.

[Ingwersen Bros., live stock commission merchants, Omaha, Chicago, Sioux City.]

STOCK YARDS STATION,
Omaha, Nebr., September 2, 1919,

CY Sold for account of J. M. Carey & Bros., Cheyenne, Wyo.

Sold to—	No.	Class.	Weight.	Price.	Amount.	Total.
Sullivan	10	Cows	11,590	$11.25	$1,303.87	
Armour	12	.....do	12,180	8.25	1,004.85	
	22		23,770			$2,308.72
Freight (including feed on road)					106.94	
Yardage					6.60	
Hay					4.76	
Nat. L. S. P. L.					.04	
Insurance					.14	
Commission					16.50	
						134.98
Net proceeds						2,173.74

New York Exchange.

The CHAIRMAN. In that connection, in your opinion would it be practicable to standardize and grade cattle as grain is graded?

Mr. CAREY. No; but I feel if there was real competition when they went to the market, there would not be such a discrepancy in cattle. This was on the same day and in the same shipment.

The CHAIRMAN. I asked the question because it has been suggested that we standardize the grading of cattle; that is, having them graded and sold according to grade, just as grain is being sold. Do you think that is a practicable thing to do?

Mr. CAREY. I do not know enough about it and I do not know how they could do it.

The CHAIRMAN. I am at a loss to know myself; I asked you because you have had much experience.

Mr. COLLINS. It is an evident fact that these heavy cows selling for those prices did not go to the country; that is, they were too high priced for feeder cows. They must have gone to some killer. I do not know who Mr. Sullivan is in Denver.

Mr. CAREY. This was South Omaha.

Mr. COLLINS. Oh, I thought it was Denver.

Mr. TINCHER. What I understand you to mean is that the packers buy several hundred different grades of meat and only sell a very few different grades.

Mr. CAREY. Yes; and my personal interest is in the man who breeds these cattle. When these cattle go through the market to the consumer, could there possibly be a difference of $3 a hundred in that beef if it was all fat beef, and I think I have established the fact that they must have been fat if they weighed 1,010 pounds. Do you not think that is a pretty good weight for a cow? She could not be thin and weigh that much.

Mr. TINCHER. For a three-year-old, she could not be very thin.

Mr. CAREY. And these were registered Hereford cows.

Mr. RAINEY. Mr. Carey, right there, does the packer pay the price for the steer in comparison to what he gets out of it in meat and by-products?

Mr. CAREY. No.

Mr. RAINEY. On what do you base that answer?

Mr. CAREY. I base it on what you make out of it, if I understand your question.

Mr. RAINEY. I understand.

Mr. CAREY. May I answer your question just a little later when I come to that, and will you state your question again so that I will thoroughly understand it.

Mr. RAINEY. Yes; I will. The packer goes into the market and buys cattle, then he kills them and sells to the consumer. Now does he not pay the producer a fair price comparable with what he gets for the meat he sells the consumer.

Mr. CAREY. Are you speaking of one particular animal or of all the animals.

Mr. RAINEY. Of all the animals.

Mr. CAREY. I will answer that, and there is one place in my statement that I will come to it, and I think I can answer it to your satisfaction.

Now, Mr. Chairman, I know there are other men here and I will cut my statement down. Now, it appears to me, although I may not be informed, that when we came down here we were to speak as to whether we needed some kind of legislation or not, and that is the way with some of us who came down here with the feeling that it was legislation we wanted and not to discuss the injunction. I could go back to a little bit of history as to the interstate commerce bill that was fought by the railroad men, but after the bill was passed, it did not break them up. The railroad operators do not have to give the passes; they do not have to give the rebates, and they were relieved of that burden. Now, then, in regard to the packers themselves, they say they want no regulation. They fought

it once before, and I am going to bring up the matter of the time that Upton Sinclair in the course of his investigation spoke of the dirty condition of the packing houses. I know of one case particularly in an independent packing house that I know about, and I know how dirty that plant was. Upton Sinclair was right that time. Then the Government put in its Federal inspectors of beef and from that day on you have had inspectors in there who saw that the beef was clean. They have not hurt the packers, and I will venture to say that the packers would not have those Government inspectors taken out of there, if they could.

Then, during the war they went under a license system and they made a great deal of money during the war, which was in one way some Federal legislation.

Now, to come down to the injunction, the main thing that they talk about and the arguments here are that everything seems to get back to the injunction, which is not mentioned in this bill or in any bill I have seen before. I have got some figures here. At the time of the Garfield injunction, May 26, 1903, the net worth of the packers was $92,000,000. The net worth at the time of this injunction was $472,000,000, and in the meantime they paid dividends of $105,000,000, and the only new money that was put in was $89,000,000; that is to say, taking the net worth at the start they have made five times that amount. They have paid $105,000,000 of dividends. Now, just one more point——

Mr. RAINEY (interposing). Where are those figures taken from, Mr. Carey?

Mr. CAREY. From a reliable man, Mr. Basil Manly gave them to me, and Mr. Manly was with Mr. Taft on the Labor Commission, and he had them, and I will take his word on them. I suppose you can find them at the same place.

Mr. RAINEY. I asked the question so that the record would so disclose.

Mr. CAREY. All right.

Now, then, as to income, Senate Document 597, page 365, is entitled "Corporate earnings and Government revenues," and does not disclose the name of who makes the returns, but there are two corporations of $100,000,000 capitalization, which I believe is either Swift or Armour, and they make their return to the Government of a dividend of 49 per cent and a little over, $49,137,149. Now, have I answered your question as to whether they make on cattle or not?

Mr. RAINEY. Well, I want to be very frank with you, Mr. Carey, I am not a producer, I am a consumer.

Mr. CAREY. That is as I understood your question.

Mr. RAINEY. And your explanation is a little mysterious to me. I am trying to get information. The point I have in mind is when you send your cattle to the stockyards a market is created.

Mr. CAREY. Yes.

Mr. RAINEY. There are many independent buyers at Chicago, I know. I speak advisedly about the Chicago market because I was raised there and have been in the stockyards quite frequently. Now, anyone is permitted to go in and bid or buy cattle. Suppose you ship some fine cattle there; the packers come in and bid on

them, but we have a number of small, independent packers. Therefore, if your cattle are worth more than any of the big five offer, the small packers, or these speculators that we speak of, have the privilege of buying. Now, I do not see where the big packer can drive down the price you get for your cattle. He buys the cattle if your commission man wants to sell them to him. After he buys, he dresses and sells them to retailers. The question in my mind is, Does he profit to a greater extent from the by-products and from the meat than is shown in these reports they get out; that is, a profit of about one-fourth of a cent a pound on meat?

Mr. CAREY. The only way I can answer that is by your bluebook itself—I am trying now to get down to what they make—if this is more reliable than the Federal Trade Commission report or the reports of the Treasury Department, or any of those things. Now, in your financial statement, you show that you make 8 per cent——

Mr. RAINEY (interposing). You mean the packers show that. I am not included.

Mr. CAREY. I beg your pardon.

Mr. ANDERSON. Mr. Rainey only makes a small salary as a Congressman.

Mr. RAINEY. It is one of my regrets that what you suggest is not true.

Mr. CAREY. I beg your pardon, if I inferred anything.

Mr. RAINEY. That is all right; no offense.

Mr. CAREY. It was not my intention.

Mr. ANDERSON. He is complimented when he thinks you think he makes that much money.

Mr. COLLINS. It will not take me but a minute to answer Mr. Rainey about that price proposition, if I may speak, Mr. Chairman. He talks about the price. Now, very often in the last six months they quoted two prices on hogs. Very often in all the markets nowadays they do that—the packer price and the independent price. The outside buyers buy so few hogs that when the packers want to get a little the best of it, they just simply stay out in the mornings until the independents fill up, and then they come in and buy their hogs. That has been the case many times in the last three or four months, and you see in all the morning papers the quotation, packer's price, so and so; independent, so and so.

Mr. RAINEY. Mr. Collins, as a producer, if you wanted to buy cattle to feed and make money, you would try to buy them as reasonably as you could, would you not?

Mr. COLLINS. Surely I would.

Mr. RAINEY. Well, has not the packer the right to do the very same thing?

Mr. COLLINS. He has under the present law; yes, sir.

Mr. RAINEY. And you want to deprive him of that privilege?

Mr. COLLINS. Under the present conditions he has that advantage and I do not blame him a bit.

Mr. RAINEY. Do you want to deprive him of the same privilege you enjoy?

Mr. COLLINS. Well, I think he comes in a different class from me. I am an individual and he is a corporation, and we do not come under the same head.

Mr. ANDERSON. It is not so much what we want to do to the packer as what we want to keep him from doing to us, is it not?

Mr. COLLINS. Yes; that is the idea. I class them in a different class from me. I do not put them in my class at all. They are a corporation and I am an individual.

Mr. RAINEY. In other words, you want legislation in two directly opposite ways, one to hurt the corporations you speak of and the other to benefit the producers.

Mr. COLLINS. Not necessarily to hurt him, I think.

Mr. CAREY. Mr. Rainey, I have found this information now. If I can make out my returns to the Government the way you people do, I would think——

Mr. RAINEY. You mean the packers.

Mr. CAREY. I beg your pardon again, sir, but I got it confused when you were talking about those stockyards and having worked down there as a boy. Now, then, to get back to your question. In their inventory, they just mark that inventory down $10,000,000. They cut out $10,000,000 there, and then they take out their Federal and foreign taxes of $14,000,000. Then they put in their surplus, $3,806,000, and after all that is taken out, they pay a dividend of 8 per cent, and during the year they have increased their capitalization $50,000,000, and they have gotten out all these bluebooks. Now, then, they attribute the shrinkage which they mark down in this inventory—and I never knew that the revenue law allowed you to mark down an inventory until the property was sold, but this is marked down on account of this reason:

> At the time the price decline began in August, Swift & Co. had on hand the meat of some 2,000,000 hogs, mostly in process of curing. These hogs had been bought at prices ranging from 18 to 23 cents, but have had to be marketed on the basis of 15-cent hogs. The decline in inventory values during August and September was over $10,000,000. Naturally this has had an important effect on our financial statement.

It did have. The reports of the Department of Commerce on the export of hog products from August to November, 1919, inclusive, show 558,546,865 pounds of pork products, compared with 558,096,946 pounds the previous year, a difference of almost a half a million pounds in 1919 over 1918, and on that account they cut down their inventory. Now, I will not go into the bluebook any more unless you want it. Mr. Chairman, I know that a great many stockmen believe that the only remedy is to have some legislation. I understand this committee is not to take up any particular bill, but just some law under which we can go and get our rights or have somebody before which we can lay our claims.

We believe things are wrong. We have believed that for many years. Now, if they are not wrong and if all these things are imaginary and are simply in our own minds, it will certainly be for the benefit of the packers to have something that will at least restore confidence, because they have gone along with these things for a good many years; and if there is not any legislation, we are bound to have that same feeling for a long time to come.

I thank you.

The CHAIRMAN. Have you anything as to the reports of profits of the packers each year for a series of years?

Mr. CAREY. No, sir; I have not.

The CHAIRMAN. We are very grateful to you, Mr. Carey.

Mr. RAINEY. I would like to ask Mr. Carey just one more question. With reference to these conventions that you stockmen hold, do you invite the packers or their representatives to come?

Mr. CAREY. May I take a few minutes longer, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. CAREY. Anybody is welcome to these conventions. I went to the convention at Spokane and the convention was flooded with people who had not had an interest in the live-stock business or the producers' end of it, and of course there were a great many there who had.

Mr. RAINEY. The reason I asked that question was because in the hearings as they have progressed, somebody criticized the packers for not coming to the conventions.

Mr. CAREY. Well, I think it would have been a good thing if the packers in the past had come to the conventions and had come there open-mindedly and had learned something about the point of view of the stockmen.

Mr. O'DONEL. I would like to say a word about that, Mr. Chairman, because I am the one that mentioned it. Mr. Rainey referred to a criticism of the packers for not coming to the conventions. The meeting I referred to was not a convention. It was a meeting held in Chicago for the express purpose of discussing matters with the packers. Their absence did cause, I believe, a little ill feeling. As to the conventions, whether they are invited or not, I can cite one particular instance. Mr. McKenzie, who is in the employment of one of the packing firms, delivered an address at the Spokane meeting. He did so by invitation, but he asked for the invitation.

Mr. ANDERSON. Mr. Chairman, I would like to present Mr. L. G. Phelps, of Wyoming, who wants about 15 minutes.

STATEMENT OF MR. L. G. PHELPS, OF PITCHFORK, WYO.

Mr. PHELPS. I am an independent raiser of live stock; have been in the business for between 20 and 25 years, actively as my chief business, and before that indirectly for some 10 or 12 years. Mr. Chairman and gentlemen, my thought is that the subject that has been under discussion by the different members of the producers has been so thoroughly covered that there is little or nothing more to say. It would be a repetition. Each man has ideas of his own, and my idea is, of course, to bring about at this time a stabilizing of the business in which we, the producers, are engaged. To bring about that result we have started, possibly in the right way, but like every man who has worked out his own line of thought he comes to a conclusion, and while the consent decree is a step, and while I am told the railroads will afford certain relief in the car line matter, the relief which the men who wish to go on to the market seek is a certainty that when they get there that that which they have raised will be sold at a price that will bring to them the return, at least, that their product is worth. That we doubt now. Therefore we want such a bill as is pending in some form that will give us a commission that all can go before.

Whether we have presented our side well or not, if it is a side, I am very sure that the gentlemen who follow us will present theirs

in most acceptable form, but they do not get away from us at all in a safe way, as we feel, if they leave a recourse to the courts, as the place we are to look to for such relief as we need. The courts are slow. It costs money to go to court. The packers are fortunate in that they have at their command the best advice, the best counsel, and the highest priced attorneys, I suppose, they can procure. On our part, if we are taken into court and try to litigate through the many channels from one court to the other, we will find ourselves out of money, out of time, and always called on at a time when we can not leave our business. Therefore, it is a handicap that Congress or no committee should want to put on us; that is, the stopping point that we are now at, a consent decree. That is why I think so many of us are here and why there is such an interest shown in what is now up for discussion; namely, the giving of a bill to all, let us not say to the producers or to the packers, but giving every man a bill in which a commission will be named, and that commission will be empowered to enforce its rulings and to bring about that which we think is the only safeguard so far as giving results are concerned. We can get procrastination, we can get delays, we can be worn out, but we can not get relief, and that is the reason I am here to say, at any rate, asking that the matter go to the end; that that which is started be concluded, and that in its conclusion you gentlemen recommend out of this committee a bill, changed if you please, but a bill that will give us such protection as we deem necessary. It can not hurt anybody and it certainly will be the means of establishing confidence in every way, because the little man does not want to feel uncertain. He does not want to come on to the market with something that he believes the price of will change very violently from the time he leaves home until he gets there, so that his profit is all absorbed.

I have heard a lot to-day about what the raiser of cattle is making. Now, the packer's dollar is an active dollar. It certainly turns over and over and over, and if it is a cart wheel it can roll around without making much of a bump because that which they take out of it is so small. Our profit is nil. As has been well said by nearly every man who has testified, unless we take the advanced value of our lands, unless we take into account the spread between the animal that stood on our books, we will say, at $35 and now costs or is worth $50—unless those values which no man in any other line of business is asked to count as a profit, and unless the natural accretion which comes to him through his lands and through his waiting, without interest in most all cases, because none of us has figured interest on our investment, I am sure, from the time we bought them until the time they are turned into money—without those things we have made no profit, and we believe it is because our product has come on to the market and has been discriminated against by men who had the advantage and who could do it.

That is all there is to it, and there is not any use of my trying to repeat what has been so well said. Mr. O'Donel has the subject at his fingers' end and so has Mr. Montgomery and others who have been here. Their ox has been gored, and they have been hurt in their pockets and there you hurt a man everywhere. They have said the things I would say again if it would add any force or do one bit of

good, but we ask that the matter be concluded now. We have been here enough times in all forms as producers, and we have had our own meetings which we have never thoroughly controlled. We did not have money enough, and we would not have money enough, and we would not have, anyway, the entre to the packers' meetings. I can pledge you my word on that. I have been thrown out when I wanted to discuss the matter with the man who had the buying of my stuff. I do not mean literally thrown out, but politely ushered out. The man was busy. Phone bells would ring and he would be called out. He could not tell me what I wanted to know.

The only instance of that kind that is worth repeating is one time when I was called in before one of the packers and asked this question: "Will you tell me what it costs to raise and market a 3-year old steer? Have you got the figures?" Well, I thought I had. I said that possibly I could come very close to it. He said: "Will you sit down and I will send for a stenographer and then you tell me just what it costs, and how much money has got to be paid you to keep you raising cattle for me." That was in parenthesis. But the question was how much it would cost to raise a steer and market that steer, and deliver that animal to his stockyards at a certain date if he wanted it. I said, "All right; fine." They got the stenographer in and they said, "How large a ranch have you got; what acreage, what number of cattle, and how cheaply can you operate?" I said, "Just a minute. That is all very nice for me to give you and that is what you want, is it?" They said, "Yes; certainly, I want it all." I said, "All right; let us start at the beginning. You are a big man and I am a little fellow, and now just tell me how much it costs the packers all the way through."

That was before we had all these figures and things which they have lately been furnishing us.

That was when the telephone bell rang. He did not have any time to tell me what it cost him, but I could tell him all I knew, and there the inquiry stopped and from that day to this day, of course, I have not had the privilege of learning what they were doing in their work.

Now, then, I think I have said enough, and I think it is time to stop. I want to say one thing, though, in relation to the unrelated lines of the stockyards people. I do not agree with some statements that have been made for the reason that the unrelated lines are not a matter of profit to us. The unrelated lines are taken up and handled by the packers for their profit. If they have made a profit on those unrelated lines; if the chickens and all of the produce which they are marketing has made them money, it has not increased the amount they have paid us for what we have had to sell, for this reason: The things which they are marketing were taken over primarily—I do not know that I could make good this statement, but I was told this when I had been talking about it—they were taken over because of the fact that at certain seasons of the year their meat products were not in the markets at a price; that the produce and the other things were sold less than their level of value, which we now know, because the man who is raising chickens to-day as a business, except as they are raised on the farm, knows that the produce raised has never been charged at the cost of production. The housewife has gone out and attended to the

chickens and milked the cows, and then we used to buy eggs for 12 cents, and we now found that if anybody feeds the chickens, it costs too much to make a profit.

Now, this was done by the packers for the purpose, as I sense it, to so control those other products so that at the time they were in plentyg and could be sold at a cheap price, they could then control the selling price of those commodities and not have them forced on the market at such a low price as to make a reflection in the price of beef in comparison with the price of the hen, if you please. That was one of their motives, and a proper one, if you please, but it was not philanthropic. It was not done so that if they made a dollar on their side lines they could hand it over to us. They had to invest in the side lines. They had to use up time and energy, and they wanted their profit and they made it. They did not give it to us. It has been intimated once or twice that we possibly were the beneficiaries of their side lines. I have a side line myself, and I will tell you that I do not give it to anybody else. I get it myself, and so it is with the packers. So much for the different lines.

Now, it seems to me it can properly be said that the trader should also be included if he is not specifically mentioned in this bill; that his designation in some form should be included. He is just as necessary to the business as any other active man, but he should be subject to the control of this commission when the bill, which I hope is to be passed, is passed, and when we are all living under it.

Now, these things which the packers fear, they need not fear. I used to be a banker in a small way, and I thought every time I was regulated that I was "busted." Now, that is not true. The Federal reserve law was damned by every man who thought he had to live under it. To-day it is announced that if the Federal reserve banks were not in existence we would be broke; that is, the little man who is a banker or interested in banking. I am not in the banking business to-day and am not lending any money because I have not any, but that is true of everything.

The packers will come before you and they will get everything they can for themselves, but if they do not get all they want, if they find they have got to have a trade commission that will control them properly, as the railroads are controlled through the functions of the present Railroad Administration—and they are better off now and they do not fear that which they thought was going to be their ruination, and the bank does not fear the Federal Reserve Board which it was thought would be their ruination—and these men, if they can not get all they want, will be satisfied and tickled to death. They will go home and each one of them will say, "Well, we cried 'wolf' and we did scare them off. We have been to all those fellows' towns and to all their conventions and we have told them that if they didn't do this way or that way, strings would be pulled somewhere and they would be ruined." And that is exactly what we feared. Lots of us did not dare come here until we were out of debt, because we were told that if we had $100,000 or $200,000 from a packer institution, a loan company or other place where they deposit money, that we had better look out. I have had good advice, fatherly advice and friendly advice from men who were not in the business, simply telling me that I had better not say these things because it was not a good thing to

do. They would say, "You know you are all right, Phelps, and you can probably live through and you should keep your mouth shut."

Now, I have. This is the first time I have ever been before a committee and it is the first time I have ever made a speech to as many men as are here assembled in my life. The only time I ever did any talking a man said that I was eloquent and I said, "How in the name of goodness can you say that," and he said, "You were before a tax board trying to get your taxes lowered and you talked well"; and now I am trying to get you gentlemen to give us a bill that will protect us, and I hope I have talked well, and I am very much obliged to you all.

The CHAIRMAN. You certainly have, Mr. Phelps; we are very grateful to you, sir.

Mr. PHELPS. Thank you, sir. I hope I have not taken up too much of your time. I said I would take 20 minutes and I may have taken 30, and if so, I beg your pardon.

Mr. ANDERSON. Mr. Chairman, I would like to present to the committee Mr. Sykes, who represents the corn belt producers, and more particularly the Iowa producers.

STATEMENT OF MR. A. SYKES, OF IDA GROVE, IOWA, PRESIDENT OF THE CORN BELT MEAT PRODUCERS' ASSOCIATION.

Mr. SYKES. Mr. Chairman, I am president of the Corn Belt Meat Producers' Association. This is an organization of farmers and feeders and stockmen, organized in 1904. Hence it has held its 16th annual meeting just recently. I have been president of this organization for 12 years, elected for the thirteenth time at the last annual meeting.

Mr. Chairman and gentlemen of the committee, before I start in on any testimony, I want to say to you gentlemen that there are two men here, myself and Mr. Ames, who is a member of the committee sent here by this organization, who were to distinctly represent the corn belt interests, and the man who feeds one and two carloads of cattle in the corn belt as well as those who feed more; I have fed cattle for over 30 years.

The testimony so far has been largely from our western friends and it has been fine. They have told you of the conditions that they know about and are familiar with. Now, we are not going to touch on those conditions at all because we absolutely know nothing about them, but we are going to confine our testimony and what we have to say to conditions as they prevail in the corn belt, and in the State of Iowa, which, as we all know, is in the heart and center of the corn belt section.

Before I proceed further, I want to read to this committee two resolutions that were passed at the last meeting of this association of which I am president, which was held in the city of Des Moines, February 19 and 20, 1920 [reading from resolution]:

The present unsatisfactory condition of the live-stock industry should be a matter of national concern. All classes of people should lend their influence to the betterment of this condition. A freer consumption of meats which are low in price compared with other foodstuffs would encourage the stockmen to remain in the business until the normal balance is once more restored.

Resolved, That we consider the revised Kenyon-Kendrick bill for supervision of the packing industry as a measure which it is to the advantage of farmers

and stockmen, the packers and the people generally, to have enacted into law at the earliest possible date. We request the Senators and Congressmen from this State to use every effort to secure prompt and favorable action upon this bill. We especially request Congressman G. N. Haugen, chairman of the House Committee on Agriculture, to endeavor to secure prompt and favorable action by his committee.

These resolutions were unanimously passed, and when I say they were unanimously passed, I mean there was not a dissenting vote against the resolutions.

Following this I wish to place into the record a statement of two carloads of beef cattle that I recently marketed on the Chicago market.

I am aware of the fact, gentlemen, that the people in the East, especially, and some other people, are laboring under the opinion, or apparently so, by the stuff that is given out through the press that the farmers of the corn belt are simply reveling in wealth, and that they are making so much money they do not know what to do with it out of the live-stock business and other operations which they are carrying on.

I will read this statement and then file it as a part of the record. It is headed, "Statement of A. Sykes, covering a period from April 15, 1919, to January 20, on two carloads of beef cattle."

These cattle were purchased on the Sioux City market as feeders or stockers, whatever term you choose to use, about the 15th day of April, 1919. They were carried on pasture for five months on my farm. They were then put on feed.

The original cost of these steers at Sioux City was $3,800, approximately, or $100 a head. We have figured the pasture for five months at $456 or on the basis of $8 per acre for the pasture of the land, which is a very conservative rental in our country, and very conservative for good, blue-grass pasture, and we figured one acre and a half to the head to pasture them for the five months, which is what it takes in our country.

Mr. BORDERS. Pardon me, is that $8 for six months or $8 a year as the basis of your rental?

Mr. SYKES. It is $8 a year, of course, but then we only pastured six months, you understand.

Mr. ANDERSON. What is the value of this land, Mr. Sykes.

Mr. SYKES. $2.50. Now, I am taking last year's estimate. This land at the present time has rented from $10 to $12 for 1920.

The cost of the corn fed into these cattle at the market value was $1,787. Now, these are not estimates. We know what we fed into those cattle and we are giving you as nearly the facts as we can give them.

Cost of oil meal, $400. This was on the basis of two pounds and a half per head per day which we fed.

I may say to make this clearer to you that we fed these cattle 100 days on corn and oil meal.

Interest on original purchase for eight months figured at 7 per cent, which I think you will all agree is low and just what we have to pay in our country, $177.36.

Insurance, $10.

Salt, which, of course, is estimated, $5.

Now, we have a total cost here on the 17th day of January, when thees cattle were started for market, of $6,635.36.

Right here I wish to disgress a minute and state that in making up this statement we forgot to include the freight from Sioux City on the cattle to my feeding yards. As you will notice, there is nothing so far included here for freight and expenses in the purchase of these cattle, which was approximately, as near as I can remember, $35. So we have added that on further down.

Coming back to the original statement again, we have received for these cattle net in Chicago, on the 19th day of January, $6,300. This, subtracted from the $6,635.36, less the freight, of course—that is, the freight is not included in that—leaves a deficit or loss of $335.36, with the freight added, which I have added lower down in the statement, or included, makes a total net loss on the operations of $370.36.

I wish to add, in connection with that statement, gentlemen—I do not know whether you noticed it or not—but there is not a dollar charged there for labor anywhere in that statement, absolutely not a dollar. That is the stuff that actually went into the cattle.

Mr. ANDERSON. Mr. Sykes, might I ask a question? I want to anticipate something that may arise there.

Mr. SYKES. Yes, sir.

Mr. ANDERSON. A question was asked this morning which indicated that Mr. Borders was under the impression that you feeders out in Iowa did not understand the value of cattle and that your gambling instincts sometimes got the advantage of you and that you got paid more than the cattle were worth. I would like you to state whether the price you paid for these cattle on the market fairly represented their value on the market at that time.

Mr. SYKES. I will answer that this way, gentlemen: If those cattle that I purchased about the 15th day of April, 1919, had then been ready for the market in the same condition they were when I shipped them, they would not have brought less than $19 a hundred.

Mr. TINCHER. What did you give for them?

Mr. SYKES. Approximately $14.

The CHAIRMAN. How much did they weigh?

Mr. SYKES. Just a fraction over 700 pounds. I have not got the exact figures with me, but I remembered so distinctly that they cost approximately $100 a head.

The CHAIRMAN. What grade were they—high-grade cattle?

Mr. SYKES. They were good grade short-horn and Hereford cattle.

Mr. LASATER. Mr. Sykes, could these cattle have been produced under your Iowa conditions at that cost?

Mr. SYKES. Absolutely no. I am just coming to that.

The CHAIRMAN. About what did they sell at in Chicago?

Mr. SYKES. $13.35 was the selling price in Chicago.

Mr. RAINEY. How many acres of land used in raising these cattle, Mr. Sykes?

Mr. SYKES. I did not raise them.

Mr. RAINEY. Well, in pasturing them.

Mr. SYKES. In pasturing, an acre and a half to the head. If you will multiply that by the number of head you will find out. That is the way we figure.

Mr. RAINEY. In pasturing, did it enhance the value of your land as to fertility of your ground to an extent that it might overcome this deficit on $370?

Mr. SYKES. If they did not, I certainly would be a subject for the insane asylum if I continued in the business.

Mr. ANDERSON. Then, indirectly in the raising of those cattle, where you suffered this loss of $370, you have really profited by it in the long run?

Mr. SYKES. No, sir; I have not. I do not consider that they increased the value of the land to that extent.

Mr. JACOWAY. Would your labor item offset the extent to which they benefited your land?

Mr. SYKES. Possibly the increase in the fertility would offset the labor item. I would be willing to accept it on that basis.

Mr. TINCHER. There might be another item suggested—I think the packers might suggest another item. I suppose you had hogs with those cattle?

Mr. SYKES. Yes, sir.

Mr. TINCHER. And you got something from that?

Mr. SYKES. Yes, sir.

Mr. TINCHER. It is rather remarkable that you could handle that many cattle and sell them at less per pound than what you paid for them and not lose more money than that on them, is it not? You handled the cattle in a first-class way?

Mr. SYKES. That is what I was going to explain. These cattle were exceedingly thin when I bought them. Any cattleman knows that buying a thin steer in the spring of the year if he is a good animal will make a big gain if he has good blue-grass pasture. There is where I obtained my gain, on the blue grass, and saved taking a loss of possibly $40 or $50 a head instead of what I did take.

The CHAIRMAN. Can you give the gain during the six months' pasturage?

Mr. SYKES. No; not on pasture. I did not weigh the cattle.

The CHAIRMAN. How much was the total gain per head?

Mr. SYKES. As I remember now, the weights in Chicago were about 1,250; that is, between Sioux City and Chicago they gained something better than 500 pounds.

The CHAIRMAN. You did not give any account of the hay?

Mr. SYKES. I was just coming to that point, because I thought that might be brought out. I have always figured the hay question this way in my feeding operations, that I allowed the gain on my hogs to offset the cost of the hay or roughage that my cattle ate. So I never made any charge for hay.

The CHAIRMAN. How about labor?

Mr. SYKES. Labor, we always throw that in; that is what troubles the farmer, gentlemen, we never charge anything for our labor. If we charged up our labor as the average fellow does, we would soon go broke, and on the basis of what these cattle brought and what we would have to pay to handle a business similar to our own.

Mr. JACOWAY. Mr. Sykes, do you not think it would be a pretty good idea to give us a detailed statement of what these cattle cost you, and what you got for them, rather than let it come out in cross-examination?

Mr. SYKES. Of course, that could be worked out. I have not got those figures with me, not having thought about it before I left home. I just happened to have the cost price of these cattle in my day book and the price I got for them in Chicago, and, of course, I had in my mind what we fed them, because I was directing that part of it, and I know the feed had gone into these cattle, and so I made this statement up on that basis, and, of course, I allowed nothing for labor.

The statement such as I prepared I will insert in the record.

(The tabulation of costs referred to and submitted by Mr. Sykes is here printed in full, as follows:)

Original cost	$3,800.00
Pasture	456.00
Cost of corn fed	1,787.00
Cost of oil-meal fed	400.00
Interest on original purchase for 8 months	177.36
Insurance	10.00
Salt	5.00
Total cost	6,635.36
Received net on the Chicago market	6,300.00
Loss	335.36
Freight expenses from Sioux City	35.00
Total loss	370.36

Mr. BORDERS. Mr. Sykes, looking at the other end—there are two ends to this proposition: The consuming end and the question of cost. A lot of people say that meat is high. As I catch your figures, in six months to mature these cattle for the market, it would cost about $75 a head?

Mr. SYKES. I suppose so; I had not figured it out on that basis.

Mr. BORDERS. I just wanted to get that in the record.

Mr. LASATER. Was it not about $90?

Mr. SYKES. Right while we are on this cost proposition, I think I will just put something into the record here that will give you men something to think about in the corn belt on these beef cattle when we have them in the yards. Any corn-belt feeder will tell you that 20 pounds of shelled corn per day for a steer in the yard is a very conservative feed, with 2½ pounds of oil meal added. That is what we feed. Figure it out for yourselves what it cost to make this gain on these beef cattle. Your corn is worth anywhere in Iowa at the present time $1.35. I figured my corn at $1.25—just exactly what it cost, or what I could have received for it had I marketed it, either way you choose to take it. You can not put a gain on these steers for less than 25 or 30 cents a pound after they go into the yards in the corn belt, I do not care how you figure it. Our college has secured a little cheaper gains in some instances, where they have used largely a ration of silage with cotton seed added.

Mr. RAINEY. When did you ship those cattle, Mr. Sykes?

Mr. SYKES. They were loaded on the 17th day of January, and sold in Chicago on the 19th.

Mr. RAINEY. Do you think the packers were responsible for the loss you sustained in that week?

Mr. SYKES. Partially.

Mr. RAINEY. Do you know whether or not the packers have lost money in beef the past year?

Mr. SYKES. No, sir. I am not keeping the packers' monthly books. I would just like to add this to the record: That if I had kept those steers another month my loss would have been increased about $20 a head. Lots of our unfortunate fellows out there held on to their cattle, and they are taking a loss of $1.50 and $2 a hundred more than I took for mine when I decided to cut them loose.

I think something of this kind ought to go into the record to let you people know at least about how much money the cattlemen or the producers are making out in the corn-belt States in this deal.

We have got another statement here that I want to file in the record in regard to the price or cost of producing a calf up until it is a year old. I will admit I have not got the tabulated figures on this statement, but it is approximately correct. We start with a herd of 20 cows and a pure-bred bull, and we have valued them at $2,000, which any stockman will admit in the corn belt is a very reasonable figure for a herd of 21 high-grade animals in Iowa, $90 a head for the cows, and $200 for the bull. We have charged up here against this herd for summer pasture $252, on the same basis that we stated for pasturing our steers, figuring a rental of $8 per acre, and 1½ acres—which is a very scant ration for a cow raising a calf—to the animal. We have charged for wintering that herd $278, or we have increased the price per month $1 for the winter feed over the summer—$2 per month for the summer feeding and $3 per month for the winter, which any stockman will agree is also a reasonable figure for wintering cattle in the corn belt. We have charged here for wintering the calves, after they were weaned, $455.

Now, we grow some calves on the ranch out there; and I have practical, intimate knowledge of what we feed those calves, and that is 5 pounds of oats and 5 pounds of hay after they are weaned, with access to a good straw pile both night and day, so far as that is concerned.

So we have figured the cost of wintering these calves out on that basis—5 pounds of oats per head per day and 5 pounds of hay—and the total amounted to $455.

Interest on the original investment on that herd—$2,000, figured at 7 per cent—is $140.

We have made an estimate here of the salt at $10; insurance, $10; depreciation on herd, $100. I think any stockman who knows anything about the business will say that those figures are very conservative; and we have got a total here for the year of $1,245.

Assuming that those 20 cows drop the average number of calves, which is 80 per cent—it runs from 75 to 80 per cent, and we have taken an extreme and allowed 80 per cent fertile cows; that is, calves that will live to be one year old—we have a net cost per calf of $78 per head when the calf is a year old.

We start with the 1st of May in this statement here and bring our calf up to the 1st of May of the next year.

I will admit, gentlemen, that these figures are amazing even to myself when you come to figure it out in black and white and find out what it actually costs us to produce calves. This bears out the question that Mr. Lasater just asked me concerning whether or not I could produce those steers on my Iowa farm for $100 per head when they weighed 700 pounds. I say it can not be done.

(The statement submitted by Mr. Sykes is here printed in full, as follows:)

We start in this instance with a herd of 20 cows and 1 pure-bred bull:

Total value, estimated	$2,000
Summer pasture for herd	252
Winter feed for herd	278
Wintering calves, 6 months	455
Interest on investment in original herd for 1 year	140
Salt	10
Insurance	10
Depreciation of herd	100
Total cost for 1 year	1,245

On the basis that from these 20 cows we secure 80 per cent calves would give us a total of 16 calves; which, divided into the total cost for the year, allowing nothing for labor, we have a total cost per calf when it is 1 year old of 78

Mr. BORDERS. The day of cheap meat has gone, then, has it not?

Mr. SYKES. This very thing would indicate that.

Mr. LIGHTFOOT. I am very much interested in the statement of your experience with those two carloads of cattle, and I wonder if you would object to giving the name of the packer who bought those two carloads of cattle.

Mr. SYKES. My recollection is that it was Morris who bought them. Of course, I would not say positively about that.

Mr. LIGHTFOOT. The reason I asked the question is this: That under the packers' system of accounting it is very likely that they could trace the market in which those cattle were sold, and it would be very interesting for the committee to know just what the experience was in handling those cattle.

Mr. SYKES. If I had the account sales with me I could very easily furnish that, or I could furnish a copy of it to the committee, of course, if it would be of any service to them, as far as that is concerned. My recollection was, as I said, that it was Morris & Co., but I would not say positively as to that.

Mr. LIGHTFOOT. Would you object to putting a copy in the record or furnishing the committee a copy?

Mr. SYKES. No, sir; not at all.

Mr. LIGHTFOOT. I would really like to see it placed, to ascertain what it amounted to.

The CHAIRMAN. Was that the going price at the time?

Mr. LIGHTFOOT. No, no. I do not dispute that. I wanted to see what the packers got out of the same cattle, and I thought it might be of interest to the committee if they could have a statement of what happened to the shipment.

Mr. SYKES. Coming up to the question of legislation, I want to say that the organization of which I am president stood for legislation of this kind for some time. I intended to bring here, and have it in my room, a copy of these resolutions passed by this association last year that I wanted to submit to you and have read into the record, but I forgot it this morning when I left. But they did pass a strong resolution at their 1919 January meeting indorsing legislation for the supervision and control of the packing interests and the stockyards and exchanges.

Mr. GRAFF. If I may interrupt just a moment, Mr. Chairman, perhaps we can expedite these hearings, and for one I would request that Mr. Sykes be admitted to have that resolution inserted in the record. It can be done later, can it not, Mr. Chairman?

The CHAIRMAN. Yes; he may insert it when he extends his remarks.

(The resolution referred to was subsequently submitted by Mr. Sykes when he resumed the stand.)

Mr. SYKES. What I was going to say about this matter is that the amazing thing to me is that after the packers have agreed with Mr. Palmer in regard to this injunction matter that they are tenaciously opposing this legislation. If they intend to abide by the things which are incorporated in that agreement, which we believe they do, then why in the world are they opposing legislation along this line? If they are going to be strictly law-abiding, as Mr. Swift and a number of other packers have said in the past, that this did not infer and should not be understood as incriminating them in any way or that they admitted that they had done anything out of the way, or words to that effect, but that it was simply to kind of soothe the public mind and increase confidence, why, I am here to tell you, gentlemen, that there is nothing in the world that will increase confidence in the live stock marketing facilities of this country more than legislation along this line, not only on the part of the producers, the people whom I represent, but the people who consume these meats as well.

The fact that I believe there is a combination between the packers, or that Mr. Graff or Mr. Collins or any of these gentlemen who have testified here believe that there is a combination, does not make it so by any means. Now, if it is not so, if there is not any combination between these packers, then why in the world should they oppose legislation of this character?

I have never had to use any great amount of advertising material or to spend any money, if I had had it to spend, to place myself properly before the people of my community and to make them feel that I was what I pretended to be—and I do not say that boastingly in any manner; it is not said in that spirit at all. It seems to me that it is a useless waste of money for the packers to spend the money that they have spent in the past trying to get the people to believe that there is nothing to this whole thing, and that we are all mistaken, or else we do not know what we are talking about.

I know the feeling between the farmers and producers of Iowa, and I believe I am qualified to speak for those men, because I meet thousands of them every year in my work among them as president of this organization. And I know that, whether they will come down here and testify or not, that they have a suspicion in their own minds, and hearts, and they can not get away from it, that there is a combination existing that is not helpful and does not work to the best interests of the producer. I know that is a fact, whether it is understood in some quarters or not.

The way to remove that feeling from the people is to have some governmental supervision over these packers, whether they are justly entitled to it or not. If there is nothing wrong, as I have already said, why do they oppose it? If there is not anything wrong, why not come in and boost for it and say, "We want to restore confidence

in the minds of these producers as well as the consumers of the country, and we want them to know that we are perfectly willing for this Government to have supervision over our business?"

I do know one thing, gentlemen, that if things do not change in the near future that the beef cattle business will practically be a nonentity in the corn belt, so far as that is concerned. We are not going on year after year producing these beef cattle and these hogs at a continual loss, in spite of the fact that we should have them to maintain the fertility of the soil. Us old gray heads may do that during our lifetime, but the young fellows are not taking to it, I can tell you that right now. You do not find many of the young fellows out in Iowa following in our footsteps. I am at the present time in partnership with my son out on the farm, and he is dissatisfied with the whole business, and he has reason to be because he can not make anything out of it. Whether or not this legislation will correct those conditions, I do not know; that is, I mean will bring better prices to us or not—I do not know that at all. But it will remove that distrust lurking in the minds of practically every producer in the country.

I am here to tell you gentlemen—and I want to tell you from the standpoint of a man who is in communication and in touch with these people—that until this thing is done and is settled that way it will never be settled right, and the people will never be satisfied and these agitations will be kept up.

It has already been referred to in regard to the fight that was made for supervision over the great transportation lines of this country. We all remember that. A number of us went through that fight, and we finally secured results. But the agitation kept up year after year, and year after year, and the people would not remain quiet until they secured what they believed they were entitled to, and I am here to say that the same thing is true in regard to these great marketing and slaughtering facilities of the live-stock industry.

I suppose that men could be gotten in the State of Iowa who have come down here and opposed this legilslation. I am going to say that there could not be. But I am here to say, as some men have said before me, that the propaganda which has been sent out to the stockmen, not only in the West, but over through the corn belt, is entirely responsible for that condition. I run onto hundreds of men last summer, as I circulated around among them in my duties, who, as quickly almost as I met them, when this agitation was on over here in the Senate, would say: "What about this Kenyon-Kendrick bill, Mr. Sykes?" I would say, "Have you a copy of the bill?" "No." "Have you seen one?" "No." "What do you know about it?" "Well, all we know is what the Drover's Journal said, or what the Stockmen, published at Omaha, Sioux City, Kansas City, or some other point has said; and it looks to us like that is a bad move, and I believe you fellows ought to get in and oppose it."

Well, I usually carried a copy of the bill with me, and I would go over the bill with them and talk to them awhile about it. They would say, "That looks different altogether now; I never understood it that way before."

There is the whole thing in a nut shell. If the propaganda had not gone out and these people had not been circularized by the live-

stock exchanges, by the commission men, by the stockyards, by everybody who was opposed to the bill, as well as the propaganda through the live-stock papers, which has been conducted in the way it was conducted, I will venture to make the assertion that 90 per cent of the producers in Iowa would have favored that bill without any reservation.

Mr. TINCHER. I might ask whether the two very noted publications in your State took any sides in this matter?

Mr. SYKES. Wallace's Farmer was in favor of the legislation.

Mr. COLLINS. The Successful Farmer too? How was it editorially?

Mr. SYKES. They were in favor of the legislation.

Right while I am talking on this question, I want to say here, men—and I want you to distinctly understand this—I incorporated into my annual address, which will be published in the annual report of the association's work, and that is this, that no producer of live stock wishes in any way to hamper the legitimate operations of the packers to the fullest and freest extent. They want to encourage their legitimate operations. It would be absolutely foolish for us to take any position that would in any way hamper or curtail the operations of the packers, because we know that as long as we remain in the live-stock business we are dependent upon them to handle our products; and therefore we believe that legislation of this kind, instead of curtailing their operations, will only give them a chance to increase and increase our confidence in them as well as the confidence of the consuming public; and we are not here advocating any other legislation.

I want to take a few minutes on this packers and producers' committee. I happened to be instrumental in assisting the organization of that committee. I know that there was a movement on foot on the part of the packers to get closer to the live-stock producers for the last 18 months. I might state here that I was a member of Mr. Hoover's live-stock committee, that is, of the Food Administration; and in those meetings we came in touch with the packers frequently, of course, and it was frequently tipped off to me by some of the packers that they would like to get more closely in touch with the live-stock producers of the country, and, incidentally, the matter was talked over. And about December, 1919, I think, or perhaps soon after that, I might say that quite an active campaign was taken up by the packers along that line to secure a packers and producers' committee, a joint committee of packers and producers.

As I remember it, sometime about the latter part of February or the first of March, I received a notice from a gentleman whom I do not care to name, a very prominent live-stock man, which is neither here nor there, asking me if I would come to Chicago on a certain day in March—I believe it was the 7th day of March—and meet with a committee of producers and packers. That was about all there was to it. There was no information as to what we were going to do or anything about it. Mr. Wallace, the secretary of this organization, received a similar invitation at that time. We took the matter up by phone, I think I calling Mr. Wallace over the long-distance phone and asking him about this invitation. He said, "I do not

know a thing. I suppose I got a copy of the invitation you got. But I think we had better go in and see what is up." So we both went in, he from Des Moines and I from Ida Grove, my home.

We met a number of producers there—that is, live-stock men. I want you to understand this, that when I speak of producers I mean "live-stock men," because we commonly use that phrase in our country. Also a number of packers were there, and quite a large number of them, all the big packers; several of the Swifts were there; Mr. Morris, Mr. Wilson, Mr. Armour, and a number of the independents, too. We went into a kind of informal discussion at the gathering, in the first place, and talked just in an informal way back and forth. Mr. Wilson was selected, as I remember, chairman of the meeting—that is, Thomas E. Wilson—and talked about organizing this committee. Mr. Wilson outlined what he had in mind, the formation of a joint committee of packers and producers. The number was immaterial. And, just incidentally, some things he told that he thought might be accomplished through that committee.

The question was asked Mr. Wilson, as I remember—now, I will not try to state this verbatim, but about this: "Is it the thought of the packers, in the formation of this committee, that it would have any influence on pending legislation for the control of the packers and the stockyards, etc.?" That question was asked by one of the live-stock men.

Mr. Wilson stated, as I remember, that it was not the thought of the packers to oppose legislation through this committee, but it was hoped if this committee was formed that legislation would be unnecessary.

Well, of course, it is needless for me to say that, so far as Mr Wallace and myself are concerned, that is just what we have suspected all the time, and what we were afraid of—in other words that Congress and the country would take it for granted, if the packers and the producers have formed a joint committee under one chairmanship, that everything was settled, their disagreements were settled. There was no further necessity for legislation, and why bother ourselves about this thing further? And that would be the end of the pending legislation.

I made a short talk, in which I said something like this:

I think you gentlemen should understand; I think it is a time for plain speaking here. I think we ought to understand each other. I think you gentlemen should know of a number of live-stock organizations in the central West which passed strong resolutions favoring packer legislation similar to that that is now pending before Congress, and referred to the fact that the Corn Belt Meat Producers' Association had recently passed at their annual meeting a resolution of that character. And I said: "So far as officers of our organization are concerned, if it is the thought of the packers that going into a committee of this kind would have any influence over them to in any way abate their efforts in securing this legislation we want you to distinctly understand that we would join in no such agreement; that we stand for this legislation just as we have passed resolutions in favor of it."

The committee was finally formed, except that it was formed as a separate committee of each. The Corn Belt people and some others stood out for a separate producer's committee, permitting the packers to form such a committee to meet also with the producers, and the committees were formed along that line.

I might say in that connection—I do not know why it was; you have heard all about some of these men being invited to go to Atlantic City by the packers on a junket last fall, to the annual convention of the Institute of American Meat Packers. I never received any invitation, neither did Mr. Wallace, from the packers. I know two members of the committee that was formed who did received invitations and did go to Atlantic City with the packers. I know that personally. I know of some other gentlemen who received invitations who did not go who were members of that committee.

Of course, I do not know why these gentlemen went down there, but after they came back there came out an article in the Drover's Journal and I think some of the other live-stock papers opposing packer legislation.

Prior to the time of this junket I had been under the impression that these gentlemen stood with the rest of us; that is, that they were in favor of Government regulation and control of those facilities.

I have taken more time than I intended to, but these are things that I think this committee ought to know. I think it is perfectly improper for the packers to have invited members of the producers committee to go to Atlantic City as their guests.

I will put that in the record, and say that such influence as this over live-stock producers and over men who are situated as these gentlemen was is reprehensible.

Mr. GRAFF. May I ask Mr. Sykes a question right there?

The CHAIRMAN. Certainly.

Mr. GRAFF. Mr. Sykes stated a moment ago about a meeting that he had attended where the time had come for plain speaking. I believe that time is here now, and I would ask Mr. Sykes, if he can, to give the committee and the rest of us vitally interested the name of that particular man. We want to know one another.

The CHAIRMAN. That should be left to the discretion of Mr. Sykes.

Mr. SYKES. I decline to do that. They are personal friends of mine. Of course, you know there are ties that exist between friends that even sometimes, when they do things that we do not approve of, we do not want to expose in an open hearing of this kind.

You people may not think this is pertinent to this hearing, but I do. I want to inject in here some conditions at the Sioux City yards and the packing plants there in the past. If I was not as familiar with those conditions as I am with the operation of my own farm, I would not in any way attempt to refer to them. But I feel this committee should know some of the things which have been done in the past.

I am going to read from the report of the Federal Trade Commission on meat-packing industry, part 3, page 73. As I have already stated, if I was not perfectly familiar with this whole situation I would not inject it into this hearing at all. [Reading:]

That generally the most important independent packing plants are not located at the stockyards controlled by the big packers is shown by the map facing page 27. The map gives the location, size, and ownership of each of the stockyards markets and of each of the interstate packing plants.

If any of you gentlemen want to see this map, all you have got to do is to refer to this volume of the report of the Federal Trade Commission, on page 27, and there you will see how many independent

packing plants have thrived in packer-owned stockyards. The map is right in this book here and shows distinctly.

Reading from page 74, skipping two or three paragraphs there:

> Just how the big packers use their control over packing-house sites and appurtenances thereto to keep large independent plants from developing at the large yards can best be shown by examining the exact situation which exists at some of these yards.
>
> At Sioux City, where Swift & Co. control the stockyards——

Mr. TINCHER. I do not like to interrupt you, because you are making a very nice statement, but were you here when Mr. Colver testified before the committee? He put that in the record.

Mr. ANDERSON. That is the Hurni plant situation?

Mr. SYKES. Yes.

Mr. ANDERSON. I think that is already in the record.

Mr. TINCHER. Mr. Colver covered that very fully.

Mr. ANDERSON (interposing). The committee would be very glad to have you say anything you know of your own knowledge, but that portion of the report has been already put into the record very thoroughly.

Mr. SYKES. There is just one feature I will touch on in regard to that matter, and that was the introduction of what was referred to here as the Thompson bill. I suppose he referred to that in the Iowa legislature?

Mr. TINCHER. I do not think he did.

Mr. SYKES. Of course, that is all connected up with this whole affair.

In the winter of 1917 a bill was introduced in the senate of the Iowa Legislature by a man by the name of Thompson—that was Senator Thompson—to place the Sioux City stockyards under the control of the Iowa railroad commission, just the same as any other public utility.

One night just before bed time I was called over the long-distance phone. I had been away and came in on a late train that evening, and my wife said Sioux City has been trying to get me over the long-distance, and I had only been home a few minutes when they called again, and I answered the phone, and a friend of mine, a commission man at Sioux City, one of the oldest commission men there, said, "What do you know about this Thompson bill that was introduced in the senate"? I said, "I confess I do not know anything about it. I understand there has been such a bill introduced, but I do not know a thing about it. I have been away from home a good deal and have not a copy of it." He said, "I will tell you what that bill is for. It is to put the Sioux City stockyards under the Iowa railroad commission, so that this man Hurni and Statter out here can get some facilities for loading their meat products—that is trackage, and also get a chute so that they can get their live animals to their plants."

Mr. Hurni had built his plant right beside the yard, but Statter was out three or four blocks.

He said, "The stockyards fellows got ahold of this bunch up here to-day and got them together, and they got a resolution out here condemning that whole thing, and they are going to send a bunch down to Des Moines. I was against it and others were against it, but we could not prevent that thing from passing. I want you fellows to

get into this fight—that is, your organization—and see if we can not get that legislation."

And then he went on to tell that this man Hurni had bee trying here for 10 years to get trackage for only four blocks; that is all the distance away from his connections. He has also been trying to get a gate cut through the fence into stockyards back of his plant, where he could drive the stock through, and he can not even get that. He said, "There is no question but what that bill ought to pass, and I wish you fellows would get busy."

"Well," I said, "I will go to Des Moines just as quick as I can and look the matter up and see what there is to it."

I knew those conditions; I knew what Hurni had been trying to get there. He had been trying to get trackage, and he had been trying to get a gate cut through the stockyards fence. As it was, he had to drive his cattle up the main street, that had double-track street car lines in it and all the usual city traffic—his cattle and hogs—to get them out of the stockyards the front way, and brought them up that street; and Statter had to do the same thing.

So I went down to Des Moines at my first opportunity and investigated. Unfortunately, the man Thompson was away and I could not get ahold of him, but I got ahold of my own senator, and he said, "I know the bill has been introduced, and it has been referred to the committee on railroads. That is about all I know about it. I think the bill is all right, and I think it ought to pass."

My senator was not a member of the committee on railroads, but he told of a gentleman I was acquainted with who was a member of that committee, and I went to him and asked him about the bill, and he said, "Yes; it has been referred to our committee, but there has been no hearing. This man Thompson is away, and we do not know anything about it."

I said, "We want a hearing on this bill; I believe it ought to be passed, and we ought to have a hearing on it. This thing of letting this bill be smothered by those Sioux City fellows I do not think is right." He said, "I will let you know. I will find out from the chairman of the committee when the hearing is arranged, and I will wire you."

And so he did—that is, supposedly—and I came to Des Moines as fast as I could; but somehow things had been changed; the bill had been called up the day before. It had been reported on unfavorably, and that was all there was to it. I understood there was a committee there from Sioux City, and that was the end of it.

That transaction is referred to in this report. If you men will read a little further, you will see. Mr. Eaton in writing to Mr. Swift tells about killing this bill in the committee. Mr. Eaton is president of the Sioux City Stockyards, Swift & Co. having the controlling interest in them, and he tells about killing the bill in the committee.

As a result of that, this old man Hurni, who had been trying for 10 years to get these facilities there to his packing plant—he had been increasing his business, and there was no reason in the world why he should not have the gate anyway to get his stock out of the alley of the stockyards into his packing plant, a gate that would not have cost possibly at that time over $5 or $6 to have installed it. Yet, he had to buy his stuff and bring it around through the open streets to get it to his plant.

He got discouraged and sold his plant to Swift & Co., and I think this report shows that inside 30 days—I would not be positive, but it is in that report—those facilities were provided for the Hurni packing plant under the control of Swift & Co. Hurni sold his plant to the stockyards' company, which, of course, was Swift & Co.

If those things would not convince us that there is necessity for legislation along these lines, I do not know how much of it you want.

Here was a man who had been trying to build up an independent packing plant there. He understood the game; he was making good at it. And yet just simply because these people controlled those stockyards they blocked him. They might have been justified in not putting the track in there—I do not know whether they were or not—but I had from good authority in Sioux City—though Mr. Hurni never told me himself but from men who spoke for him, that he offered to put the track in at his own expense, so that refrigerator cars could be run into his plant and loaded with his dressed products right from the plant. But, let that be as it may, there was absolutely no excuse for them refusing to give him the gateway to get his live stock into the plant from the stockyards alley.

Mr. VEEDER. Mr. Sykes, do you know, as a matter of fact, what the reason was that the stockyards would not put the gate in at that particular place?

Mr. SYKES. I think they wanted to put them out of business.

Mr. VEEDER. Well, that is what you think, but do you know why they would not do it?

Mr. SYKES. Why did they put it in afterwards, Mr. Veeder?

Mr. VEEDER. Mr. Sykes, I will tell you. There was a dispute as to the title of the land at the particular place where Mr. Hurni desired to have that gate put. There has been a suit of long standing and Mr. Hurni desired that gate put in at that particular place in order to perfect his claim to the land in dispute.

Mr. ANDERSON. How do you know that, Mr. Veeder?

Mr. VEEDER. Now, Mr. Anderson, I just wish to make this suggestion because——

Mr. MCLAUGHLIN of Michigan (interposing). Mr. Veeder, will you please come a little nearer so we can hear?

Mr. VEEDER. We have the letters and statements here, and I just want to make the statement now that when the time comes, when we are on—or now, if you desire it—but when we are on, there is an explanation for that situation. The stockyards company did offer to put gates in at accessible places, but which would not, by the placing of the gates, terminate the dispute as to the land. The packing company and Hurni were in a dispute as to the title of the land, the particular land where Hurni insisted upon the gate being placed.

Mr. TINCHER. You mean that putting the gate in would have settled the title to the land?

Mr. VEEDER. The fixing of the fence and the gate.

Mr. TINCHER. And the packers, with all their legal talent, could not have prepared an agreement by which that matter could have been left undetermined, and still put a gate in there to let the cattle through?

Mr. VEEDER. You know it always takes two to make an agreement.

Mr. TINCHER. Did you offer to let him have a gate without settling the title to the land?

Mr. VEEDER. I don't know what the negotiations were, because I did not conduct them, but we tried to satisfy Mr. Hurni. We offered him a gate at another place so as to leave the discussion as to the land open. He would not make any agreement—he would not make any arrangement which would settle that dispute, nor would he settle the dispute in his favor, any more than he would in our favor. That will all appear from correspondence which will be put into the record.

Mr. SYKES. I know nothing about this dispute, gentlemen, I do know that the old man tried to get the gate there, and it seems very strange to me, as long as the gate was going to be cut in the fence that belonged to the stockyards company that that would have anything to do with the title to the land.

Mr. ANDERSON. There was not any question of title involved in the switch track up the street, was there?

Mr. SYKES. Absolutely none; no, sir. I am told—and these records bear me out in that fact—that every time Mr. Hurni appeared before the council of Sioux City to secure a franchise for that track, the stockyards people were there in full force and prevented them from granting that franchise.

Mr. VOIGT. Did Mr. Hurni's ground on which his packing house stood adjoin immediately the stockyards?

Mr. SYKES. Yes, sir; at the back of it. It faced on the street in the front—now, of course, I am not familiar with those titles, but it sat right in against the stockyards on the back, and right in against an alley, just like this room opens out into the hallway there, and all that was necessary would have been just the same as that door, to have cut a hole in that fence and let him bring his stock into the packing plant, because it was backed right up against the alley fence of the stockyards company.

Mr. VEEDER. Mr. Sykes, may I ask you a question?

Mr. SYKES. Yes, sir.

Mr. VEEDER. Do you know that the switch track as it was afterwards put in was put in on the property of Swift & Co.?

Mr. SYKES. Well, I see there was some dispute here in this evidence in regard to that, but I do know also that the council granted the request of the stockyards company.

Mr. VEEDER. Was not the permit granted to cross the street but not to lay tracks in the street, along the street?

Mr. SYKES. I could not say as to that exactly.

Mr. VEEDER. We will submit the correspondence and the facts when we come on.

Mr. SYKES. I could have read that all into the record here.

Mr. TINCHER. It is in the record?

Mr. SYKES. It is here. You can see the correspondence there between Mr. Eaton, the chairman or president of the Sioux City Stockyards, and Mr. Swift, at Chicago. The whole thing is contained here; and he tells what the council wanted them to do, and why. Among other things he says that the mayor—that is, he infers that the mayor would have agreed to it but for the fact that they had always opposed allowing Hurner to get that franchise, and he stood out in opposition to it on that ground; that he thought it would not be consistent, of course, as Swift & Co. had taken over the packing plant for him to sign a decree of that character.

Now, it is just to prevent those things that we believe there should be some governmental supervision. I am here to tell you men that I am perfectly satisfied that if Hurner, during his lifetime—the man is dead now—if when he started out with his plant there he had been given encouragement, to-day we would have had a real competing plant at Sioux City; but he was handicapped; he had to haul his products out on wagons. It cost him $30 a car extra to do that; he had to drive his stock down through the main streets of the town there in order to get them to the plant. This may all be taken care of in this decree; I don't know whether it is or not, but whether it is or whether it is not, what is it going to interfere with, gentlemen, to have legislation along this line that will create a governmental body that will prevent such things as that occurring in the future, if there should ever be any necessity for them to be used?

Mr. VEEDER. May I be permitted to ask one further question of Mr. Sykes? Are you acquainted with the plant of the Midland Packing Co., the $4,000,000 plant that has just been completed at Sioux City?

Mr. SYKES. I have never been through it, Mr. Veeder.

Mr. VEEDER. There is one there.

Mr. SYKES. Yes; I know.

Mr. VEEDER. You know that the large packers haven't a dollar of interest in that plant, do you not?

Mr. SYKES. No, sir; I don't know anything about that. I know it is stated on good authority that Mr. Sawyer, who was one of the big men in Mr. Swift's department, holds 20 per cent of the stock. Now, of course, who furnished Mr. Sawyer the money to buy that stock with I don't know anything about one way or the other.

Mr. VEEDER. But you do not know that none of the big packers did furnish the money?

Mr. SYKES. No, sir; I do not know that at all. I know nothing about it. One thing sure that I know is that if Mr. Sawyer had been a stockman for the last 20 years operating in Iowa he would not have had money enough to have bought 20 per cent of the stock in a $3,000,000 packing plant; I am perfectly sure of that.

Mr. GRAFF. Mr. Sykes, do you know anything about this so-called Midland Packing plant?

Mr. SYKES. No, sir; absolutely nothing. I am not qualified to testify on that at all.

Mr. GRAFF. Don't you know anything about the stock that is being sold?

Mr. SYKES. I know it is being sold to the farmers all over that country there, but as to the plant I know nothing about, only that they have—that is, that they are reputed to have a very up-to-date packing plant.

Mr. GRAFF. Don't you think that perhaps the packers know more about who is buying this stock than anybody else does?

Mr. SYKES. Well, with the head of the firm so closely connected up with the packing interests in the past, I would naturally assume that that is true.

Mr. GRAFF. Of course there hasn't anybody made a dollar out of that except the promoters, have they?

Mr. SYKES. So far as I know they have not, Mr. Graff; no, sir.

Now it has already been referred to here, the question of Government supervision—that is, war-time supervision of the packers and stockyard interests. I just wish to refer to that matter because, being a member of Mr. Hoover's committee, I had some knowledge of what was going on. The supervision over the packers, of course, I don't know so much about—just how they were tied up. Mr. Cotton and Mr. Hoover told us, of course, that they were tied down; that they could only make a certain per cent in the turnover and could not make beyond, I believe, 9 per cent on their investment, but most of the people were led to believe, at least, that there was fairly strict Government supervision over the packing industries, not only the big packers but all packers, during the war. Now, I believe you will admit that that was the general belief of the people, and if that was true the books of the packers certainly do not show that they were badly hurt from that supervision or that they were injured in any way by governmental supervision.

Coming down to the stockyard and commission merchants, those utilities were taken over as a war-time measure, as you gentlemen possibly know. I do not think that any honest, upright commission man that was doing a square business was in any way handicapped or hurt by the taking over by the Government of those yards.

Mr. ANDERSON. Looking at it from a stockman's point of view, Mr. Sykes, do you think that the stockyards were better managed, were more sanitary, etc., under the supervision of the Government than they were before?

Mr. SYKES. As to those features of it, Mr. Anderson, I could not say that there was any material improvement as to the sanitation and the better management or the yarding of our live stock or anything. I confess that I could not see as there was very much improvement along that line, because of the fact that it was during the war, and especially in regard to the management and the yarding and handling of our stock. There was no question that there was a shortage of help and it was a difficult matter to give satisfaction, and we made due allowance for all those things, but there were other features that I want to go into somewhat here, that were beneficial to the producers, and gave them increased confidence in the whole thing, and that was the fact that there was a lot of things that were revealed, that had been going on in the stockyards and among the commission men—or some things I will say—not a lot—during that supervision, that had not been known to us. While we believed they were true, yet we could not prove it. That was the trouble. Some of those were overcharging for feed, both by the stockyards company and by the commission men themselves. There were several instances found when the Bureau of Markets went into these men's offices and took their books and checked them up, both the stockyards people and the commission merchants—that is, some of them—where they were overcharging, plainly, clearly, absolutely, intentionally for feed that they were feeding our live stock. Now, as I said, we believed that was true but we had no way to prove it. We could not prove that they were overcharging us, we believed it was a fact, and had it not been for the Government taking over these facilities——

Mr. ANDERSON (interposing). You don't mean taking them over. The Government did not take them over.

Mr. SYKES. The supervision of them, Mr. Anderson, yes—taking over the supervision of these facilities and going in and checking up those books—if it had not been for that, that same practice would no doubt be going on to-day.

We have another instance where the man was put out of business—that is, where he at once threw up his hands and admitted he was guilty, and they took his license away from him and expelled him from the exchange, where it was clearly shown and admitted that this commission man had been stealing from his customers for years and years back.

Mr. RAINEY. Mr. Sykes, do you know who put him out of business?

Mr. SYKES. Yes; I know all about it, but why didn't they put him out of business 10 years ago?

Mr. RAINEY. I don't know. I am just asking for information.

Mr. SYKES. No, of course you don't. I know who put him out of business. Why didn't they put him out when he first began stealing from us fellows?

Mr. RAINEY. Who put him out?

Mr. SYKES. The exchange expelled him. That was all.

Mr. O'DONEL. Who uncovered the facts?

Mr. SYKES. Who uncovered the stealing operations? That is the question. It was the Bureau of Markets; that is all there is to it. This man, as I remember the facts—and I am only going to give them from recollection—had burned his books—that is, beyond two years—and they could only go back two years and investigate him.

Mr. RAINEY. This particular firm you speak of, Mr. Sykes?

Mr. SYKES. Yes, sir; that is my understanding of it.

Mr. RAINEY. Who so informed you?

Mr. SYKES. That is the report out over the country.

Mr. RAINEY. Let me say for your information, Mr. Sykes, that you have been misinformed, because the Bureau of Markets will tell you they had access to their books for many years back.

Mr. SYKES. Well, I have been misinformed. Let that be as it may, it did show on that investigation that he had been carrying on this practice of reporting short on his account of sales—reporting them short to his customers—the amount, the price. He would take off sometimes 10 cents a hundred on the price that the stuff actually sold for, and return me 10 cents a hundred less, if I was his customer—of course, fortunately, I never was, so far as that is concerned, but I know men right in our own town whom he bled in that way, and in other instances he would take off so many hundred pounds from the net weight of the animals. He only took off—that is, he only took the weight off, as I understand, when the shipper did not accompany the shipment, and of course would not know what the exact weight was. When the shipper was with his stock, of course, if he went to the scales with them he knew what the weight was and he could not take it off then, and he would simply take it off in the price.

Mr. RAINEY. Mr. Sykes, do you claim that this particular firm was profiting by taking off the weight of the animal, or was it a profit as a result of hay or feed?

Mr. SYKES. He was taking off of the total weight. For instance, if I had a carload of hogs that weighed 16,500 pounds and I did

not accompany those hogs to market, when he made his return to me he would report the total weight 16,000 pounds, and he collected for the $16,500 and put the amount of the 500 pounds into his own treasury. That is the way I understand that was carried on.

Mr. RAINEY. Mr. Sykes, you may be correct, but I know something about that case. You would not say positively that was the reason?

Mr. SYKES. I say that is the report to me. Now, I got that from a man that he mulcted out of $5,000, and the gentleman got $2,000 of it back. Now, whether he knew what he was talking about or not I don't know, but you gentlemen can get that straight.

Mr. ANDERSON. He knew that he was pinched, I take it?

Mr. SYKES. He knew he was pinched; yes, sir. That is, it was shown that he had been robbed of $5,000 during the period he had been shipping, some 10 or 12 or 15 years—I don't remember how long, but over a period of years, and he got $2,000 of that back.

Mr. VEEDER. Mr. Sykes, I don't care to make any argument, but——

Mr. SYKES (interposing). Now, gentlemen, right here I hope you men are not going to defend acts of that kind.

Mr. RAINEY. No; I am trying to get information, Mr. Sykes.

Mr. SYKES. You certainly would not attempt to do anything of that kind.

Mr. VEEDER. Mr. Sykes, may I ask you this question on the commission men? This one case that you speak of—of course there are dishonest men in all businesses.

Mr. SYKES. Of course there are. That is all we claim.

Mr. VEEDER. And this is a question I want to ask you: Isn't it a fact that the investigation of the books of the commission men generally revealed the fact that there were extremely few cases of dishonesty revealed?

Mr. SYKES. Yes, sir; and I am glad to say that is true.

Mr. VEEDER. Then, this one case does not indicate——

Mr. SYKES (interposing). But it is the fellow that is not honest that we want to make honest, or put him out of business. Now, that is all.

Mr. VEEDER. Now, one other question on that, Mr. Sykes? Isn't it a fact, when you speak of the Government's hand in this matter in revealing the situation in that one instance—after it was revealed, didn't the exchange want to expel that firm, and didn't they have a hard time, make many trips to Washington, to get the Bureau of Mines to permit the action that he be put out of business?

Mr. SYKES. I am not speaking for the Bureau of Markets; I will simply say this, that Mr. Bray, who addressed the annual meeting of the Corn Belt Meat Producers' Association, stated in that convention that the Bureau of Markets had two alternatives; that one was to prosecute the man under a criminal charge; the other was to allow him to go free, providing he would agree to return to the shippers the amount that he had stolen from them.

Mr. TINCHER. Let me see if I understand this situation. The gentleman that has just questioned you, representing Morris & Co., insinuates that the Bureau of Markets was hard to interest, slow to take action in this case, and I have understood from my friend, the Congressman from Illinois, that his criticism of the Bureau of

Markets in this matter was that they were too severe. I wonder what the poor old Bureau of Markets would say about this.

Mr. VEEDER. Congressman, I am not insinuating anything, and am not taking the part of either one; I am simply trying to develop the facts here. I heard all of the evidence before the Senate committee on this question, and I know that it was contended—and I think it was practically admitted—not insinuated, admitted—that the exchange was demanding that this firm be expelled, and it was on account of the action of the Bureau of Markets that they could not get the expulsion, and I asked Mr. Sykes about that.

Mr. ANDERSON. You mean to say that the exchange had to have the consent of the Bureau of Markets to expel this man from the exchange?

Mr. SYKES. Absolutely, no.

Mr. RAINEY. The point I made, Mr. Tincher, was this: These gentlemen came in, admitting what the Bureau of Markets claimed to have found in their books they admitted that they have been in business for 37 years, and the law provided before the Bureau of Markets could revoke the license, notice would be served upon these people calling their attention to these practices; if they failed to discontinue the practices within a certain time allotted, then the Bureau of Markets had the power to revoke their license. They came to Washington, reimbursed the Government through the Bureau of Markets, the overcharge was refunded and distributed. The Bureau of Markets were satisfied to let them continue in business, but the Chicago Live Stock Exchange called a meeting a few days later and expelled this firm—put them out of business.

Mr. TINCHER. I misunderstood you, I guess. I understood you to criticize the Bureau of Markets because one man was in California and one man somewhere else, and some action in this—I understood your criticism to indicate that you thought the Bureau of Markets were too active with reference to this matter.

Mr. RAINEY. They were too active in holding this hearing without giving the people who were in California an opportunity to appear and present the case before them, and they violated the law in the method of procedure adopted in this hearing. That was my complaint against the Bureau of Markets. My complaint against the stockyards' company is after the Bureau of Markets were satisfied they had accomplished what they were attempting—a discontinuance of this practice—the stockyards' company then put these people out of business.

Mr. VEEDER. Don't you mean the stock exchange, not the stockyards company?

Mr. RAINEY. The stock exchange, yes.

Mr. VEEDER. Not the stockyards company?

Mr. RAINEY. No; I meant to say the stock exchange.

Mr. SYKES. I might say, this whole thing here has reference to the people who had been overcharging in hay; not the fellow that I mentioned here, that was stealing in the price and the weight. I think the country ought to know the men that do that kind of business, and they are the fellows that stole $20,000 from the customers of that firm in overcharges on hay and corn, and they are the fellows that the Bureau of Markets did not revoke the license, but they were expelled by the live-stock exchange.

Mr. RAINEY. Mr. Sykes, are these the facts: If you shipped some cattle in to this firm—and it was suggested heretofore that the name of the firm be not mentioned—if you have no objection I would prefer to have it out of the record.

Mr. SYKES. It doesn't make any difference to me. I think the producers of this country ought to know the men that are carrying on this business, when it was done deliberately.

Mr. RAINEY. I thought you might be as agreeable in leaving that name out of the record as you were about the gentleman you spoke of before.

Mr. SYKES. That was a different offense altogether.

Mr. RAINEY. Now, this offense—you shipped cattle and they furnished your cattle——

Mr. O'DONEL (interposing). One was a criminal offense and the other was not.

Mr. RAINEY. I am trying to find out. I do not think it was a criminal offense. They would furnish your cattle with hay. Then your cattle were sold; the hay was left in the pen; if you wanted that hay, you could take it away with you, could you not?

Mr. SYKES. That was not the case with this firm at all, Mr. Rainey. You don't know what you are talking about. That is true of the men that won out in the injunction case.

Mr. ANDERSON. The six cases.

Mr. SYKES. Yes, sir; the six cases; that was true, but in the case of this firm it was a clear case, and they admitted that they had charged for hay and corn not delivered; for instance, if they delivered a man two bales of hay they charged him for three; if they delivered him three bushels of corn they charged him for four, and so forth, just along that line.

Mr. GRAFF. And you admit, then, Mr. Sykes, that you could have brought a few suit cases along and taken that hay back with you?

Mr. SYKES. It was a clear case of intention. But in the other case—in the case of these other gentlemen that won out in the injunction case in Chicago—that was a case where, as Mr. Rainey has said, they fed me so much hay, and because my cattle didn't eat it up they charged me with that hay; the next man's cattle that went into the yard, they delivered him so many bales of hay, and they charged him with the same amount—that is, they charged him with all that he got, and so on and so on. That is the way that was done.

Mr. RAINEY. Let me see, Mr. Sykes—I don't want to argue, but you were suggesting before this particular firm you had in mind were responsible for weights, and afterwards you discovered that you were mistaken. Now, see if you are mistaken——

Mr. SYKES (interposing). Were responsible for weights?

Mr. RAINEY. For taking weights—you suggested that they took off some of the weights.

Mr. SYKES. No; I told you that this gentleman that had lost the $5,000 told me that that was the way they did it. Now, that is all I know about it.

Mr. RAINEY. At that time you were referring to this particular firm whose name you mentioned?

Mr. SYKES. No, sir; I did not. I never had them mixed a minute in my own mind. The one was a clear case in regard to the over-

charge on hay, and the other was a case in regard to taking off in price or weight; that is, to reporting short on his account of sales, and I think I made that clear.

Mr. TINCHER. Don't you think a jail sentence would have been better than a consent decree in those cases?

Mr. SYKES. I think it would. It would have had a more salutary effect.

Mr. GRAFF. While you are on the subject, a few years ago in Chicago there was some affair about the live-stock exchange, something about the weights of cattle, or something. What was that; do you remember?

Mr. SYKES. No, sir; I don't remember it.

The CHAIRMAN. Did I understand you to say that the exchange expelled, and that the Bureau of Markets did not revoke the license?

Mr. SYKES. Yes, sir; that is correct.

The CHAIRMAN. They simply took over the money and returned it?

Mr. SYKES. Yes, sir; and returned it to the customers of the concern. Now, I am not criticizing the Bureau of Markets or anything like that, so far as that is concerned; I am simply here to say that those things would not have been discovered if it had not been for the Bureau of Markets, because these operations had been going on for years and years, and the live-stock exchange either did not know about it or else they refused to take action; one of those two things. That is all there is to it. They either did not know about the cases or they refused to take action until it was discovered and dug out by the Bureau of Markets.

The CHAIRMAN. I mention this because they point with pride to the fact that the exchange expelled the party and the Bureau of Markets did nothing except to accept the money and distribute it, and say, "If so, what can we expect under Government regulations?" That is about the words they use.

Mr. MCLAUGHLIN of Michigan. The witness says the Bureau of Markets had the alternative proposition put up to them to revoke this man's license or to get the money back. They may have thought it advisable to get the money back and put it where it belonged, into the hands of the men who had been robbed.

Mr. SYKES. No; I don't care to go into that, gentlemen. I am trying to give you facts as near as I can.

Mr. JACOWAY. Did you say, Mr. Sykes, that if it had not been for the Bureau of Markets this discrepancy would never have been discovered?

Mr. SYKES. That is the point I have been trying to make all the time.

Mr. JACOWAY. That is what I thought.

Mr. SYKES. That it never would have been discovered if it had not been for this investigation and the taking over of the supervision of these yards. In no instance—that is, in any of these instances—would it have been discovered if that had not been done. And it is just to protect us—now, coming right back to this man that reported his sales short to the man that I referred to that lost his $5,000, he said: "Why, I would have bet my last dollar on that man's integrity. I have been shipping to him for years, and I never dreamed of such a thing as he was stealing from me."

The CHAIRMAN. Mr. Sykes, do you not think we should have something more than exposure?

Mr. SYKES. Yes, sir; I do, Mr. Chairman.

The CHAIRMAN. That is about all we have had so far.

Mr. SYKES. Yes, sir. I say, as was suggested here, a term in the penitentiary would be a good thing for men that will do that kind of business.

Now, gentlemen, you all know, or at least you men who know anything about the live-stock business know that we are absolutely at the mercy of these people as stock producers. Under the system that has been built up we can't do anything else only to ship our live stock into these markets and consign them to some commission firm. We have confidence in those men; we believe in them; we believe in their integrity, just as this friend of mine told me that he believed in the integrity of this man that had been stealing from him for years. We have no way of knowing otherwise. When a man sells my cattle, unless I happen to hear what the buyer offers for those cattle, I don't know what those cattle brought. I know what the commission man tells me they brought; that is all I know about it. I don't know what the cattle brought unless I happen to overhear the commission man, the salesman, and the buyer dickering. Then, of course, I know what the conclusions are and the basis the deal is made on; otherwise, I know nothing about it, and especially if I am 500 miles or 400 miles away from the place where this transaction is being consummated, how in the world could I or anybody else know what is going on down there? We have no way at all of checking them up. We simply accept our returns when they come back to us, and if it don't look like it is as big as it ought to have been we lay it onto the market.

Now, we are not impugning the motives of any commission man. There are a lot of good, honest commission men in the stockyards, and they have got some rogues among them. A supervisory law under Government regulation is not going to affect in any way the honest commission merchant, and there is no use for them to get up and say so, but it is going to—that is, if you have the proper kind of supervision and men to enforce those laws, it is going to discover the rascals. Now, that is all we want. It is going to help the Live Stock Exchanges to weed those people out. Now, they tell us that is what they want to do; they tell us that they want to establish an exchange of high-class men. Well, now, let us help them do it. That is all, and get good men into those places of business. As I said, we are absolutely at their mercy and we want to know that they are men of integrity and honesty and that we are getting what belongs to us.

Mr. MCLAUGHLIN of Michigan. Do you understand that because of this supervisory control during the war, the Bureau of Markets had the authority to examine those books and expose the fraud?

Mr. SYKES. Absolutely so.

Mr. MCLAUGHLIN of Michigan. Otherwise the Bureau of Markets would have had no opportunity and no authority?

Mr. SYKES. No, sir; they would not, only under that proclamation issued by the President, which took over the control and supervision of the stock yards. No, sir; they had no authority up to that time, to the time that proclamation was issued.

Mr. VEEDER. Mr. Sykes, you have given us the figures on only one shipment, 38 head, and you speak of your experience for years. Have you any objection to preparing and putting into the record, as a part of your evidence—not now, but later—your experience, say, for the last four or five years? Will you do that?

Mr. SYKES. I don't think I could do that, gentlemen, because I haven't got those—I haven't been keeping a regular system of books, and I would not want to put a statement into this record that I could not back up.

Mr. VEEDER. Will you state to the committee, then——

Mr. SYKES (interposing). I mean on the expense accounts of feeding cattle.

Mr. VEEDER. Can you state, in a general way, to this committee whether you have made or lost money, say, in the years 1917 and 1918?

Mr. SYKES. 1917 and 1918—we made some money on our cattle then.

Mr. VEEDER. Do you know how much a head?

Mr. SYKES. No, sir.

Mr. VEEDER. Can you guess?

Mr. SYKES. I should say possibly, roughly speaking, $20 a head. What I mean by that is, clear of what was put into them, not of our own labor. We never, as I told you in the first place, figure anything for labor, but when we are figuring the cost on this stuff we figure what we put into the cattle in corn and grass and oil meal and all that kind of thing; and I think I am safe in saying that during—unfortunately I want to say here now—or fortunately for me and my boy—during that depressed season in 1918 that was spoken of here—that is, the winter of 1917 and 1918—when these fat cattle went so low that the feeders were losing as high as $50 a head on them—we did not happen to have any cattle to market.

That was all that saved our bacon at that time. We put our cattle on feed later and carried them along until in the summer of 1918, after the market had gone up, and marketed them at a good profit. That was the only thing that save us in that.

While we are on that subject I want to state that I was down here during that time and testified before the Agricultural Committee of the Senate when I knew men in my own State, and all through the corn belt, that were losing from $25 to $50 a head on their beef steers that they were marketing at that time.

Last year we had, in 1919—I will say this, we marketed two different lots of cattle and we lost money on every lot, unfortunately. Now, just how much I can not say.

Mr. ANDERSON. It was more than 70 cents a head, wasn't it?

Mr. SYKES. It was more than 70 cents; yes, sir; I think it was.

Mr. VEEDER. How many head were there?

Mr. SYKES. We fed about 100 head last year.

Mr. VEEDER. In the two shipments?

Mr. SYKES. Yes, sir.

The CHAIRMAN. In the year 1918 the profit largely depended upon marketing; that is, it depended upon whether or not you got a good market?

Mr. SYKES. At the time you marketed; yes, sir.

The CHAIRMAN. The market sometimes was depressed and at other times advanced?

Mr. SYKES. Yes, sir.

The CHAIRMAN. The market generally advanced at the time the feeders were bought by the stock feeder and later went down when the completed stock went to market?

Mr. SYKES. There is no question in my mind that the agitation and the hearings before the Senate Committee on Agriculture during the winter of 1918 had the effect and was responsible, and the publicity that was brought out through that hearing, of simply saving the stockmen that were saved. That started the market up. Now, whether there was collusion between the Food Administration and the packers to hold down the price of cattle, I am not going to state, but I do say that we brought all the pressure we could to bear on the Food Administration while we were here, to see that the price of beef cattle was advanced, and I think that we scared them by simply showing to them that if this war continued, in a short time they would not have any beef, because we were not going to continue to produce these beef cattle at a loss, and very soon after the price of beef cattle started to advance and continued to advance to a point where they were profitable.

The CHAIRMAN. The law of supply and demand, of course, regulates the price to a large extent, does it not?

Mr. SYKES. Well, we generally consider so, Mr. Chairman. It is generally considered that that is true.

The CHAIRMAN. The question is whether the packers have the power to control the price or not.

Mr. SYKES. Yes; to control the law of supply and demand.

Mr. VEEDER. Mr. Sykes, there is no doubt about this, is there, that it is in the interest of the producer and the packer both to encourage consumption?

Mr. SYKES. There is no question about that at all.

Mr. VEEDER. And on the other side, there is no question about the fact that it is in the interest of the consumer and the packer to encourage production. Isn't that right?

Mr. SYKES. I don't know as to that.

Mr. VEEDER. Well, if production falls off, the price to the consumer has got to go up, hasn't it?

Mr. SYKES. That would seem so; yes, sir.

Mr. VEEDER. So that when you look at it, so far as just selfish interest is concerned, it is to the selfish interest of the packer that the producers should prosper. Isn't that a fact?

Mr. SYKES. Well, I don't know. Somehow it seems as though they are able to pull the wool over our eyes and make us believe that "Next time it will be all right, boys; just go ahead and fill up your yards again, and next time these cattle will make back all that you have lost." And we are just fools enough to do it, and we go ahead and fill up again. It seems as though those inducements are held out somehow or other.

Mr. VEEDER. Let me ask you this other question: You are connected with the Food Administration, and it was mentioned here about Government supervision during the war. You don't claim that

there is any comparison between that period—the war period and when the war was not on—do you, or that that is a fair test at all?

Mr. SYKES. Well, if under that strict supervision, which I heard time and again the packers complain of personally, the packers should prosper and everything go off so lovely, what in the world—why should they object to a supervision such as we propose or recommend?

Mr. ANDERSON. They supervised themselves under that kind of supervision; under this plan they would not.

Mr. SYKES. Possibly that is true, Mr. Anderson.

Mr. VEEDER. Mr. Sykes, during the war Europe was buying American meat, wasn't it?

Mr. SYKES. Oh, yes; certainly.

Mr. VEEDER. Well, under the present exchange that is not possible at all, is it? And can there be any comparison between the two periods?

Mr. SYKES. Well; in the supervision what would be the difference?

Mr. VEEDER. It makes all the difference in the world if you are able to sell your product, sell it at a profit, and when there is no demand for it.

Mr. SYKES. Well, that might be in the price, but not in the supervision. It might make a difference in the price that you paid or the price you received, but so far as the supervision is concerned, I can't see what that would have to do with it.

Mr. O'DONNEL. Supervision is right, and the right and wrong of the matter doesn't depend upon the price and the state of the market. It is a matter of principle.

Mr. SYKES. I just wanted to touch for a few minutes on this trader's exchange, or the traders in the various markets in the corn belt, the river markets, and also Chicago. The inference has been given out here that these traders are really competitive buyers in these markets with the packers. Now I want to disabuse your minds of anything of that kind, if it is lurking there. These traders are not competitive buyers in these markets with the packers because they buy a class of stuff that the packers do not buy. They buy a class of stuff invariably that goes back to the country, and the packers do not want it. Sometimes they will buy a herd of cattle, or a drove of cattle, from a commission man that doesn't care to sort up his cattle and sell them sorted; he thinks he can get more out of them if he sells them as they are. That drove will have a few of what we might call beef animals in it, and the rest of them are stockers and feeders, and he looks the thing over, and he says: "Now I believe I can get more out of these cattle to sell them to a trader, just as they are, and let him sort them up," and he does so.

Now, the packer don't bid against him on those cattle; the packer has no use for those cattle at all. If the commission man would sort out those fat cattle that are fit for beef the buyer would deal on those, but as they stand there he won't even make an offer on them. Now, what the trader does is this: He buys a whole job lot, takes them down to his yards and sorts out the cattle that the packer wants. He turns them back, probably, to the same commission man and he sells those to the packer. Some fellow comes along, like myself or some other fellow from the corn belt, and he buys what he wants out

of them. Possibly he don't want all that are left. Another man comes along and he takes the rest. Now, that is the way your scalper operates in the various stockyards.

Mr. REEDER. You think the trader, then, interferes with the producer?

Mr. SYKES. I am not here to say that, but I am here to say that they seem to be a necessary evil. I don't know just how you are going to get along without them under our system of doing business and handling live stock at these various markets.

Mr. ANDERSON. Mr. Chairman, the committee agreed to hear a couple of witnesses who were to be presented by the packers. It is now 5 o'clock, and I think if Mr. Sykes is willing to give way for the moment, we ought to hear these other gentlemen.

Mr. SYKES. Yes; certainly.

The CHAIRMAN. Is Mr. Fuller here?

A VOICE. Yes; Mr. Fuller is here.

The CHAIRMAN. Will it be agreeable to you, Mr. Sykes, to proceed to-morrow morning?

Mr. SYKES. Yes, sir.

Mr. FULLER. I can stay over until to-morrow, Mr. Chairman, if it suits Mr. Sykes better.

Mr. SYKES. It makes no difference to me at all. I can stay over. I have got to stay over until to-morrow anyway.

Mr. VEEDER. Mr. Chairman, Mr. Vereen is here, the other gentleman, and he is planning to take the train home to-night, so I would prefer, if it is equally satisfactory, that Mr. Vereen take the witness stand before Mr. Fuller, and I think that is satisfactory to Mr. Fuller.

The CHAIRMAN. Then we will hear you in the morning, Mr. Sykes.

STATEMENT OF MR. W. J. VEREEN, OF MOULTRIE, GA.

Mr. VEREEN. I have got a rather bad cold, Mr. Chairman. I am not in very good shape to make a statement, and I will possibly make it in a rambling way, but there are a few things that I think very material to the committee to have information on from my section of the country.

Mr. MCLAUGHLIN of Michigan. Whom do you represent, if anybody?

Mr. VEREEN. Well, I really do not represent any association or any packers. I am a resident of Moultrie, Ga. I am in the cotton-mill business and in other lines of manufacturing at Moultrie.

Mr. ANDERSON. What other lines?

Mr. VEREEN. Well, cooperage line, a cooperage plant, and a mattress factory, a real estate company handling city property. That is practically all.

Mr. TINCHER. You are not in the live-stock business?

Mr. VEREEN. No, sir; I was a stockholder and one of the originators of the Moultrie Packing Plant at Moultrie, Ga. This plant was established about five years ago and it was put in in order to establish a market there for livestock. The main reason for us acting when we did was on acount of the boll weevil striking the cotton section, the cotton belt, and we had to do something in self-defense,

and so we organized a company there composed of business men in Moultrie and farmers in Colquitt County, and put up one of the first packing plants erected in the South. We operated this plant for about two years and sold it to Swift & Co. Since then they have been operating the plant.

Now, during the period from the time we started this plant up to the time we sold it, I want to say in justice to Swift & Co. and the other packers that the competition was entirely fair—and I might say, Mr. Chairman, in this connection, that my father, with whom I am associated in business, was president of the Moultrie Packing Co., and I was very close to the management of the old Moultrie Packing Co.

Mr. ANDERSON. Did you slaughter anything besides hogs?

Mr. VEREEN. Yes, sir.

Mr. ANDERSON. You slaughtered cattle?

Mr. VEREEN. Yes, sir; all the cattle we could get.

Mr. ANDERSON. How large a run did you have daily?

Mr. VEREEN. Daily? I haven't those figures, sir, at the moment, to give them to you exactly. The best way for me to give you that is to say that the first year we operated, or rather, going back, when we started building our plant we put men out all over that section, agricultural agents, preaching to the people to raise live stock, urging them to raise them, and we went on and put this plant up, and I have forgotten the number of head that were slaughtered there the first year, but it would average, I think, 400 per day for the first five months.

Mr. ANDERSON. That is cattle?

Mr. VEREEN. No, sir; hogs, and possibly 10 or 15 cattle per day. That condition existed for four or five months. Of course, we got very few hogs in the summer.

Mr. JACOWAY. What was the capitalization?

Mr. VEREEN. $100,000. We had to borrow lots of money to operate on. The plant cost $100,000, in round numbers.

Now, Mr. Chairman, I was one of the parties who helped to induce Swift & Co. to buy this plant, and I did it for the reason, manly, that we could get one of the large packers there with plenty of resources to help develop our immediate section of the country. I think I stated a few moments ago that the treatment by the packers, competitively, as long as that Moultrie Packing Co. existed, was very fair. We did not have any trouble. They did not try to put us out of business; they were as fair as any competitor could be.

Mr. MCLAUGHLIN of Michigan, How long a time did that cover?

Mr. VEREEN. Two years, approximately. Possibly two years and a half.

Mr. ANDERSON. You did not worry them very much with a capacity of 500 head of hogs and 15 head of cattle?

Mr. VEREEN. No, sir; we were small potatoes, you might say. But the reason I am bringing up that point, Mr. Anderson, is that the Federal Trade Commission has charged, I understand, that this plant, as well as a plant at Andalusia, Ala., which was put up under the same conditions, was bought by Swift & Co. to suppress competition, and I want to state to you gentlemen here that that

is absolutely untrue. I don't know whether these charges—what status it is in before the Federal Trade Commission——

Mr. ANDERSON (interposing). So far as your plant did compete with Swift & Co. when it was in operation, when they purchased your plant they did away with that competition, didn't they?

Mr. VEREEN. Well, of course they did; yes, sir.

Mr. MCLAUGHLIN of Michigan. Have they any other plant down there than the one owned at that place?

Mr. VEREEN. No, sir; I know it is the only plant they have in Georgia, and I don't know of another plant they have in the South, except the Moultrie plant and the Andalusia, Ala., plant. They bought them both about the same time.

Before we took this matter up with Swift & Co., we had it up with Wilson & Co. and the S. & S. Co. at that time. They sent a man down there and I talked to him considerably and tried to get them to buy this plant. They said it was too early; that our stock was inferior at that time. He said, "It is improving splendidly, better than we expected, and we might be interested later on when you get more stock and a better quality." The main reason for mentioning all that, if you will pardon me—I don't know what this Federal Trade Commission's finding will be, but I just wanted to have the opportunity to say in fairness to Swift & Co. that that charge is absolutely untrue that they bought that plant in the ordinary meaning of the expression to get a competitor out of the way. That was not true in this case.

Mr. TINCHER. You don't pretend to tell the committee what motive Swift & Co. had in buying the plant?

Mr. VEREEN. Well, I think it was strictly a business proposition with them, sir, that they bought it in order to get into a new field of live stock, and gradually to get into making money out of it.

Mr. TINCHER. But you don't know whether it is their general policy to discourage independent packers or not?

Mr. VEREEN. No, sir; I know nothing about them except in our section.

Mr. VEEDER. I would like to ask the witness if at the time you built this packing plant, Swift & Co. owned the stockyards or owned another packing plant in that immediate vicinity?

Mr. VEREEN. No, sir; they did not.

Mr. VEEDER. How far was it to another one of their plants?

Mr. VEREEN. I don't think Swift & Co. had a plant south of Kansas City or St. Louis.

Mr. VEEDER. Well, had they wanted—then, I will ask you another question. Prior to the time of them really buying you out, had they ever tried to buy you out and you had refused to sell to them?

Mr. VEREEN. No, sir.

Mr. VEEDER. If they wanted to use unfair methods to put you out of business, how, in your opinion, would they have gone about it? How would it have been noticeable?

Mr. VEREEN. Well, I am not prepared to answer that kind of a question, sir. Of course we could have been put out of business all right.

Mr. VEEDER. They did not have another plant nearer than Kansas City?

Mr. VEREEN. I am not answering that as being exact, but I know of no plant that they had in the southeast at all.

Mr. VESTER. They had never tried to buy you out up until the time they really did buy you out?

Mr. VEREEN. No, sir; they never did. And besides that, we went to them to buy us out; we asked them to buy us out. We went to them.

Mr. O'DONNEL. Has Swift & Co. got any competition there now?

Mr. VEREEN. No, sir; not at Moultrie.

Mr. O'DONNEL. There is no other buyer at the Moultrie market?

Mr. VEREEN. No, sir.

Mr. O'DONNEL. They have it all to themselves?

Mr. VEREEN. Yes, sir.

Mr. O'DONEL. The prices they give, you don't know whether they are satisfactory to the producers or not, do you?

Mr. VEREEN. Well, it is lots better than they have ever had before. Of course every producer wants to get all he can get. I do in my line of business.

Mr. O'DONEL. You say you are in the cotton cake business?

Mr. VEREEN. No; the cotton mill business.

Mr. O'DONEL. Not the cotton cake business?

Mr. VEREEN. No, sir.

Mr. MCLAUGHLIN of Michigan. Did you give the date of the building of that mill by your company?

Mr. VEREEN. No; I did not, sir.

Mr. MCLAUGHLIN of Michigan. Will you state it, please?

Mr. VEREEN. It was about 1914. It was either 1914 or 1915, one or the other. I think it was 1915.

Mr. TINCHER. You operated it for two years?

Mr. VEREEN. Yes, sir.

Mr. TINCHER. Oh, well, Swift & Co. had lots of plants south of Kansas City then.

Mr. VEREEN. Where were they located?

Mr. TINCHER. Well, in Oklahoma.

Mr. VEREEN. I did not mean in the West; I meant in the Southeast. I did not mean across the Mississippi out there. Of course they did have a good many packing plants down there.

The CHAIRMAN. Did they have a plant at Jackson, Miss.?

Mr. VEREEN. No, sir; I don't think so. That is a good distance from us. I don't think they have a plant there.

Mr. COLLINS. You don't know anything about any of the trials or tribulations of the producers?

Mr. VEREEN. Yes, sir; I know a good deal about them. The best friends I have in the county are the farmers.

Mr. COLLINS. You have not been feeding any cattle at all?

Mr. VEREEN. No, sir; I am not a producer.

The CHAIRMAN. Would you mind telling what success you had in operating the plant?

Mr. VEREEN. No, sir; not at all.

The CHAIRMAN. Kindly state whether you made a success or failure of it.

Mr. VEREEN. We lost money the first year we ran, and that amount was about $12,000 we lost the first year, and the second

year the Lord took care of us. Meat went up and we bought a good deal of it and we made some profit the second year. Our books showed around about $50,000 profit the second year.

Mr. TINCHER. With a $100,000 plant?

Mr. VEREEN. Yes, sir. We had a house full of meat, and it went up considerably and there is where our profit was; it was not in operating.

The CHAIRMAN. What price did you get from Swift & Co.?

Mr. VEREEN. We sold to Swift & Co. at $125 per share, and there were 150 stockholders, producers and all, and every man sold his stock at $125 a share.

The CHAIRMAN. To what do you attribute the loss during the first year?

Mr. VEREEN. Well, it was a number of things. The small supply of live stock. Another was management that was not familiar with the business, a new field, and various other causes that might be mentioned. But those I will say are the main causes.

The CHAIRMAN. Lack of experience and skill in the business?

Mr. VEREEN. Yes, sir. Now, I want to say, while we are on that line of Swift & Co., their dealings with us in the purchase of this plant, they promised us when they bought this plant that they would add to it and help us to develop that section of the country by establishing a live-stock market there, and I want to say that they have actively cooperated with us in every way, shape, and form. I am chairman of the department of agriculture of the chamber of commerce of Colquitt County, but I am not even a farmer; but the reason they put me in that was because all the farmers know me and I am very close to them and they put me on this committee mainly on account of developing good schools out in the county and things of that kind.

Swift & Co. have put fine stock into that section. They have brought in there in one instance, as I recall, they brought in 30 fine bulls. They have put those out through the district in the county, loaned them to these fellows, and they have brought in thousands of fine poultry, and they have put those out there in the country at cost, or below cost—very cheap—in order to stimulate the poultry industry. That has been of great assistance to us.

Last year we put in a county fair in our town at a cost of $40,000. They put $1,500 into it with the rest of us, and then they put their whole organization to helping us to develop this fair and exhibits, and encouraging the farmers, and they brought in fine stock and showed it, and all those things that go to develop an agricultural section. I have heard a great many things about the big packers—charges against them—but all I know about them is my knowledge down in south Georgia, and that is with Swift & Co., and they have certainly been fair; they are the greatest friend the farmer has got down there in helping him to develop his live stock, to raise a better quality, and they are the biggest single factor we have in the development of that section of the country.

Now, I know how the farmers are. We have got some few farmers who are dissatisfied, but they are very few, and we have got some people in our town who are good folks, who want the Government to regulate every line of business; but, gentlemen, frankly

my experience is—speaking for my section of the country—that these men who are knocking now about prices on live stock down there—I am not talking about these western men; I am talking about down in south Georgia—and these men who want Government regulation on everything whenever it comes down to building something and establishing markets and doing something that the earning power of the man in the country may be increased through better facilities, they are not there. They don't seem to be interested in doing those things, but they try to tear down after it is once established. Now, that may not apply to the Georgia crackers, but it is certainly true down in my neck of the woods.

I wish you could see every farmer in Colquitt County this afternoon, and you would find 80 per cent of them will say, "Let these fellows alone; let them go along and spend their money down here and help us develop this country."

Mr. ANDERSON. Have you heard anybody who wants to stop them from doing that?

Mr. VEREEN. Well, not on this particular bill, Mr. Anderson, but when this other legislation was up in the Senate, the Kenyon and Kendrick bills, I together with the leaders among the farmers talked it over, and we thought it would be a bad thing for our section of the country for that legislation to be passed. We realize that we are in a developing stage down there and need the big industries with their money, and those we have got down there are treating us fairly; and I believe, sir, that any legislation that is passed putting business under Government control is a serious step to take; and I believe it will tend to stop that business from going into new sections and helping new sections to develop.

Now, I might add that this plant that Swift & Co. bought, I am told by the packers, has lost money for the last two years. I could give you the amounts, but I don't know as it would be proper to do it. The first six months they had the plant after they bought it from us they made a few thousand dollars, and they expect, according to the statements to me, to lose money for at least five years down there until they can get a larger supply of live stock.

Mr. JACOWAY. Have the got a railroad commission in Georgia?

Mr. VEREEN. Yes, sir.

Mr. JACOWAY. Does it perform a useful function there?

Mr. VEREEN. Yes, sir.

Mr. JACOWAY. I would like to get your idea as to what you think would be the result to have some kind of supervision over the packers like Georgia has over the railroads? Do you think it would be a good thing or a bad thing?

Mr. VEREEN. Well, I think it would be a bad thing, particularly for us in our section. You take it under the regulations imposed on the railroads to-day, we don't hear of any new railroads being built! I hear every day of some of them going to be strapped, and I think if the Government goes too far in regulating industry of any kind we are liable to have some packing houses strapped, or maybe some new ones not built. I know I would hate to have a board up at Washington supervising my line of business. I would not feel very comfortable, and I don't believe you gentlemen on this committee would, or any of the rest of you here. We would all want to get away from

it if we could. I feel this way, gentlemen, if the packers are doing anything bad and wrong I think they ought to be prosecuted to the limit of the law.

Mr. ANDERSON. We are trying to get the Attorney General to do that, but he thought it was better to get out an injunction on them.

Mr. VEREEN. I believe it is a serious step to take, because you take the Federal Trade Commission, I don't want to speak slightingly of any Government body and I don't know that commission, I don't know any of the gentlemen personally. All I know is some of the investigators. To give you an illustrations, they sent three men down to Moultrie under a resolution introduced by Senator Harris, of Georgia, to investigate the difference in price being paid by the packers for soft and hard meat. Soft meat, as you know, is peanut meat. Well, the resolution was a good one and the investigation ought to have been a good one. It is a thing that I would like very much to have known, just the relative values. Well, they sent three gentlemen to Moultrie to make an investigation. I saw two of them, and I was talking to them just along the line that I am talking to you gentlemen here this afternoon. Well, now, these gentlemen, Mr. Haines and Mr. Haycraft—you gentlemen may know them—two of the investigators—they told me that the big packers were nothing but a bunch of robbers, and I was dumbfounded. If I would happen to have my line of business in the hands of men like that, I would feel like selling out to somebody else and getting into something else.

Mr. TINCHER. Well, that was after they finished the investigation, perhaps?

Mr. VEREEN. Well, at the time when they were making the investigation they should at least have been impartial while they were investigating the difference between soft and hard meat. I heard a couple of farmers say that, and I only use the language that one of these farmers used when he got away from them.

The CHAIRMAN. Whom did they represent?

Mr. VEREEN. The Federal Trade Commission.

Mr. ANDERSON. The Federal Trade Commission has since made a report as a result of this investigation.

Mr. VEREEN. I understand they have.

Mr. ANDERSON. That report was entirely favorable to the contention of the packers, if they made any contention about it, that the difference in the price was due to the fact that the pork was soft.

Mr. VEREEN. Yes, sir.

Mr. ANDERSON. So that there was nothing in the report that showed any bias on the part of these agents, was there?

Mr. VEREEN. Well, if you will pardon me for saying it, I don't think these men made any investigation at all while they were there. The Federal Trade Commission must have gotten information from some other source. I have since tried to find out what farmers they saw.

Mr. MCISAAC. I wish to say that I am with the Federal Trade Commission; and the report filed with the Senate was written by Mr. Haines, the gentleman who was down there.

Mr. VEREEN. Well, I am very glad to hear that, but I am speaking of the impropriety of making a statement like that while on the investigation.

Mr. ANDERSON. You know, of course, that Mr. Haines denied that he made that statement.

Mr. VEREEN. I heard him. I don't know what he denied, but I am here to tell you that he made it. It can be proven.

Mr. ANDERSON. It is a question of veracity.

Mr. VEREEN. Well, I have witnesses there that I can prove it by men who heard it in my presence. There is no question about that.

Mr. VOIGT. Did this gentleman use the word "robber" when he made the statement?

Mr. VEREEN. That is exactly the word he used. He said, "They are a bunch of robbers."

Mr. MCLAUGHLIN of Michigan. Did he use any terms that Senator Watson used characterizing the men employed by the commission?

Mr. VEREEN. They made several other statements, sir; but I am not positive as to the words, and I would not like to make a charge unless I had the words. I remember these words distinctly. We talked there for five minutes. They made other statements, but I will not attempt to say what those statements were, because I don't recollect entirely. The man might deny them, and then I would not be in a position to say that he made that statement. In this particular case, though, I am here to say that he did make that statement without question, and it can be proven if there is any doubt about it.

Mr. GRAFF. Now, you make the statement that this Federal Trade Commission never was down there to make any false investigation as the report shows?

Mr. VEREEN. Would you ask that question again, please?

Mr. GRAFF. Didn't you say a moment ago that you did not believe that the Federal Trade Commission ever made that investigation down there?

Mr. VEREEN. No; I did not say that. I said this: That these investigators were shown there for two or three days, and it would be impossible for an important matter of that kind to be decided by any board in two or three days. They saw only a few men; and to decide whether or not Swift & Co. were paying enough for that meat was impossible, I think, as a business man, for that question to have been decided in the course of two or three days by these gentlemen.

Mr. ANDERSON. So if this report was entirely favorable to the contention of the packers, that they were entirely fair in their dealings and that the difference in price was due to the difference in quality of the pork, you would not believe the report to be biased?

Mr. VEREEN. To tell you the truth, I would not pay any attention to a report made by men who are prejudiced. I don't know whether the report is—in other words, they may not be paying them enough for the soft pork.

Mr. GRAFF. Do you claim that the Federal Trade Commission was prejudiced?

Mr. VEREEN. I claim that these two men whom I talked to were prejudiced. Their statements which I just related to you seemed to lead any reasonable man to the conclusion that they were prejudiced at that time.

Mr. GRAFF. In other words, you are trying to leave the impression with us here that you are prejudiced against the Federal Trade Commission?

Mr. VEREEN. No; I hope I have not left that impression; no, I would not like to leave it.

Mr. GRAFF. It sounds to me that way.

Mr. VEREEN. I just brought that out about those two men to show, Mr. Chairman, what we are liable to run up against in the Government handling of industries.

Mr. ANDERSON. Do you know, Mr. Vereen, how long these investigators were down there at Moultrie?

Mr. VEREEN. I could not give you the exact time. It was just a few days, but I don't know the exact number of days. It was not over a week.

Mr. ANDERSON. I think you are mistaken about that.

Mr. VEREEN. Well; it was about a week that they were there, you will find.

Mr. COLLINS. You don't know of any motive or object that those investigators had for making that remark against the packers?

Mr. VEREEN. I don't think they had any motive, except they were just in the frame of mind that they thought the packers were just what they said. I think they thought that.

Mr. GRAFF. Do you believe that the Federal Trade Commission in doing what they did was wrong?

Mr. VEREEN. In making this investigation?

Mr. GRAFF. Yes.

Mr. VEREEN. Certainly not. I think that it ought to have been done, because that question was raised very often down there, and I had heard farmers mention it. I was very glad they made it. In fact, I am sorry that they did not send men there who could fairly go into it unbiased and unprejudiced.

Mr. GRAFF. But you disapprove of the Government continuing along these lines to supervise the great public utility industries?

Mr. VEREEN. Well, I think it is a bad idea for the Government to put a commission over them to handle any line of business unless it is found to be absolutely necessary.

Mr. TINCHER. Suppose the Federal Trade Commission had for the past two or three years been investigating the packers and had filed volume after volume of reports in which they had used language at least equivalent to the language you say these two men used, and these two men told you that in private conversation the packers were robbers, but they were sent down there to investigate them in your town, and they investigated them and filed an unbiased and unprejudiced report and said that the packers were not doing wrong, wouldn't that be pretty good proof that you might attach some credence to their report?

Mr. VEREEN. That is true.

Mr. TINCHER. That is just what they did.

Mr. VEREEN. Now, Mr. Chairman, I won't take any more of your time. The main object in my coming before you—and what I have had to say has been in a rambling way—I am not well at all—but it is this, that in our country it is a new developing country and we need every assistance we can get. We need the packers; we need

them to expand; we need them to put more plants in the Southeast, and we stand with open arms to welcome them down in that section. We believe it is better for the farmers; we believe it is better for every other line of business in our section, and I just protest against the passage of any regulations or laws that will hamper that development.

Mr. COLLINS. Do you think that is what we are trying to do?

Mr. VEREEN. I don't think so.

Mr. COLLINS. Does anybody have any objection to doing that?

Mr. VEREEN. I think sometimes we don't want to stop a thing, but we do certain things that have the effect that it is stopped.

That is all I have to say, Mr. Chairman, and I thank you very much.

Mr: ANDERSON. I would like to read a letter from Mr. Haines, to whom Mr. Vereen refers, so that the entire matter will be in the record here together. This is a letter addressed to Mr. J. P. Yoder, secretary of the Federal Trade Commission, and I will read it:

FEDRERAL TRADE COMMISSION,
Andalusia, Ala., August 23.

Mr. J. P. YODER,
Secretary Federal Trade Commission, Washington, D. C.

DEAR MR. YODER: I have just read in the morning papers the following statement, purported to have been a part of W. J. Vereen's testimony yesterday before the Senate Committee on Agriculture and Forestry:

"I just want to say to the committee that I'd not put much faith myself in the reports of the Federal Trade Commission. They have prejudiced men making their investigations. Three of them were down at Moultrie last week, and in talking about prices to farmers I paid Swift & Co. a compliment, and the response I got showed they hadn't open minds."

I hasten to say to the commission that this statement is absolutely false. Mr. Vereen did not have the slightest basis for this unfair and harmful indictment of our work in the South.

The three investigators referred to as being at Moultrie, Ga., were J. S Ohsol, E. F. Haycraft, and Brice. Vereen did not meet Ohsol. The circumstances of his meeting Haycraft and me are exactly as follows:

Saturday morning, August 16, while I was examining Mr. Fitzgerald, Swift's local live-stock buyer, in one of the offices at the Swift plant, two men came into the room. Fitzgerald introduced them to me as Mr. Lutzsinger, Swift's plant manager, and a Mr. Vereen. On the table in this room were some of those anti-Kenyon bill packer pamphlets, so widely distributed in the South. Lutzsinger picked up some of these and handed them to Vereen and they immediately left the room. There was no discussion of any subject.

In the afternoon Haycraft and I went to the office of R. A. Stratford, county agent, to interview some farmers. The county agent's office is in a large room, also used as the headquarters of the local chamber of commerce. While Haycraft and I were talking to two farmers, W. J. Vereen came in, evidently to see the secretary of the chamber of commerce regarding the trip to Washington. Stratford called Vereen over and introduced him to Haycraft and me. He remained and chatted with several of us not over two minutes, then left us, saying he was busy preparing to leave town. I did not see him again; nor did Haycraft, as far I know.

During the brief conversation Vereen simply commented on the fact that the purchase of the Moultrie Packing Co. by Swift & Co. had been a good thing for Moultrie and that the local organizers and directors of the company were unanimous in the matter of wanting to sell to Swift & Co. Neither Haycraft nor I said anything in reply that would give Vereen any ground whatever for the serious charge he has made. And I challenge Vereen and the others who were present at that brief meeting to recall a single remark that would justify this accusation of bias.

Furthermore, as Dr. Adams and the other agents of the commission with me at Moultrie have heard me say, I assumed from the start that the people of Moultrie would quite naturally appreciate and support Swift & Co., because of

what a successful packing plant would mean to the community. I did not expect the people of those southern towns in which the big packers are operating plants to have any other than a local point of view and appreciation of the packers.

I went into the South to get the facts relating to southern meat prices without any feeling or prejudice against the big packers or any other class, and I can assure the commission that there is not a person among the scores I met who can sincerely accuse me of a single expression that would indicate the slightest degree of bias.

I trust that the commission will find some way to reply publicly to this false and harmful statement Vereen had made and which is being widely quoted in the South. I have already experienced the harmful effect of it on the conduct of this investigation.

Very truly, yours,

EARL S. HAINES,
Examiner.

Mr. VEREEN. Mr. Chairman, if you will pardon me just for a moment, it seems that the question of veracity has been raised. Mr. Haines's letter there about covers in a general way my meeting with him at Moultrie. Possibly the only question now is the one of whether or not he made that statement. Now, I was very careful not to make any statement about his conversation, except one that I positively remember and which can be proven. There were one or two farmers—I remember one of them distinctly—who were with me at the time, and since then I mentioned this to him, and he said he did remember it distinctly, and I will be very glad, if your committee wants it, or if the Federal Trade Commission wants it, to get affidavits—I think another one or two—to the effect that this man did make this statement. I say that in order that I might not—I would not willfully make a statement about this man that was untrue. I have nothing against him in the world. My only purpose in mentioning it is not to get him into trouble at all, but that the fact might be known about such investigations. I would want to be absolutely fair to him; I hope I have not caused him any trouble, but I hate to have men who make statements like that around investigating business, and I will be glad if the request of this committee or of the Federal Trade Board is made, to have those affidavits prepared and sent in.

Mr. TINCHER. Your opposition to Swift & Co. being controlled by some law is due largely to the fact that they have been good to your people in your section; that they have contributed $1,500 to your county fair; they have bought your packing plant at $125 a share; and they assure you that they will lose money on that plant for five years at least; that it will take five years before they can make money on it. Do you realize that the producers of some other section and the consumers of some other section have got to pay that $1,500, that they contributed to your fair, and have got to pay the loss of maintenance of your packing plant down there for the next five years; and do you also realize that the producers of other sections are on the rocks, are going bankrupt in producing live stock for Swift & Co., who have been so nice to you in your particular section?

Mr. VEREEN. My dear sir, I think it you will make a careful investigation you will find that the cost of Swift & Co. operating this plant and helping develop this section is not borne by any other section of the country. I don't think that would affect the market price for live stock.

Mr. TINCHER. Their report to us shows in their total operations, with all that loss down there, with their expense of all their plants, that they have made money; so that means that that money comes from the producers of other sections.

Mr. VEREEN. Well, what amount would you have Swift & Co. make on their plants? If you established that figure, then we can tell whether or not the live-stock producers of the West are helping to pay for the development of the Southeast.

Mr. TINCHER. Your testimony is based not on the theory of the western producers' interest, or the corn-belt producers' interest, but your testimony is based purely upon the treatment you have received from Swift & Co. down there in Georgia?

Mr. VEREEN. It is based on that in a plea for justice to business.

Mr. TINCHER. I think it was mentioned in the letter there that there was some conversation about your coming to Washington. What were the circumstances about your coming to Washington?

Mr. VEREEN. I came to Washington and went before the Senate Agriculture Committee, and there were half a dozen farmers who came along with this party and went before the Senate Committee on Agriculture, and we gave our opinion of the Kenyon and Kendrick bills along the same general lines as I have told you here this afternoon.

Mr. TINCHER. That was at the suggestion of the manager of Swift & Co. in your town?

Mr. VEREEN. It was not at his suggestion. Of course, I knew the manager of the plant, and these farmers all know him. It is like one big family down there, but it was not in the light of him sending us up here to plead to save them. I think by far the bigger thing—while I think injustices exist, I believe that if Swift & Co., no matter how big they are, if they are treating folks right, they ought to be treated fair; I think if they do wrong they ought to be prosecuted. But I think, sir, leaving that portion out—leaving that aside—that down in our country we have got in the Southeast thousands of small farmers who have been going along and have not been making money because they have been sticking to cotton, and my heart is with those fellows, and I want the very best market facilities given to them in order that their earning power may be increased, and thereby we may get better schools and better living conditions in the country. I plead for them. I do ask that in justice to any big business we give them a square deal and do not look at them from a prejudiced standpoint. I would hate for you to think, and I would hate to think myself, that the live-stock producers of the West are paying for development in the Southeast.

Mr. TINCHER. The live-stock producers of the West and the corn belt are at the point where they can not produce any longer under existing circumstances. There isn't any dispute about that. The packers admit that.

Mr. VEREEN. That is a strange condition, because in my section every man raising live stock is making money, and it is a strange thing that they can't make money out there.

Mr. GRAFF. Except Swift.

Mr. TINCHER. Swift & Co. are standing the loss.

Mr. VEREEN. I said the producers, if you will pardon me. I was talking about the producers—the money the producers made. The producers are all making money, and the more money they get into the raising of live stock, the more money they are going to make in my county. Just a few years ago you could ride out over that county and see little old shacks of schoolhouses, and poor country homes, and ragged children; and to-day, if you go down there, you will find $20,000 and $30,000 schoolhouses scattered through the country, good living conditions, every man in the country making money and prosperous.

Mr. COLLINS. Do you think the high price of cotton the last year or two has had anything to do with that?

Mr. VEREEN. It has had a good deal to do with it, and it will hold down the production of live stock as long as it stays high, because our folks naturally like to raise cotton.

Mr. COLLINS. I think that is where most of the money came from.

Mr. VEREEN. But the statement you made a while ago that the western farmer was paying for the development in the Southeast, I think if you will stop to think that over you will find that that is not correct.

Mr. TINCHER. If the western producer is on the rocks, is absolutely up against the proposition that he can not proceed further in the production of live stock, and Swift & Co. are not making an illegitimate profit, and they are still able—are still maintaining in your county a packing plant that they expect to lose money on for the next five years, and are contributing to your county fairs, who does it come from except from the producer that is losing money?

Mr. VEREEN. I would ask you this question in reply to that: Isn't the western farmer getting more for his live stock and hogs than the southeastern farmer is getting now for his?

Mr. TINCHER. Yes; that is true. It is a different class of stock. Instead of feeding our cattle, fattening them on peanuts, we have to pay $100 a ton for your oil cake.

Mr. VEREEN. I believe that is all I have to say, gentlemen, and I thank you very much.

The CHAIRMAN. Under the plan decided upon at the noon hour we were to hear Mr. Fuller this evening. What is the pleasure of the committee? Is it agreeable to all concerned that we hear Mr. Fuller in the morning instead of this evening?

Mr. VEEDER. That will be satisfactory to Mr. Fuller, I am sure.

The CHAIRMAN. Have you any suggestion, Mr. Anderson?

Mr. ANDERSON. Of course, I want to accommodate everybody concerned. We have, I think, men enough here to last until Saturday night now.

The CHAIRMAN. Have you any hour to suggest for closing the hearings?

Mr. ANDERSON. I hardly think I would want to do it to-night.

The CHAIRMAN. Possibly you can come to some agreement later. The committee will stand in recess now until 10 o'clock to-morrow morning.

(Whereupon, at 5.45 p. m., the committee recessed until 10 o'clock a. m., Thursday, March 4, 1920.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

THURSDAY, MARCH 4, 1920

PART 8

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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L. G. HAUGEN, *Clerk.*

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II.

MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, March 4, 1920.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

Mr. ANDERSON. Mr. Chairman, I understood we were to hear Mr. Fuller for a few minutes this morning, so he could get away.

The CHAIRMAN. Yes. Mr. Fuller, we will hear you next.

STATEMENT OF MR. F. T. FULLER, PRESIDENT OF THE IOWA PACKING CO., DES MOINES, IOWA.

Mr. FULLER. Gentlemen, if it is agreeable, I would like to read my notes and then you can cross-examine me afterwards.

I wish to thank you for the opportunity of appearing before you, and I desire to protest against the enactment of the so-called Anderson bill from the viewpoint of the small packer or so-called independent packer. I am president of the Iowa Packing Co., of Des Moines, Iowa, an Iowa corporation with a capital stock of $2,500,000. We have over two thousand stockholders in the State of Iowa, the majority of whom are either country bankers, live-stock shippers, or farmers, and, in many cases, all three combined. I might also add that, to the best of my knowledge and belief, none of this stock is owned by any other packer or packers or their representatives. We have been in actual operation a little over 18 months; in other words, our original plant was fully completed July 1, 1918. During the year 1919 our sales were $11,303,000; total cattle killed, $17,485; total hogs killed, 166,744. We paid for live stock (and practically all of this to the farmers of the State of Iowa), $8,377,000. I give you these figures simply to show you that we are not in the same class as the large packers. We are competitors of the large packers.

I personally have been engaged in the packing business 35 years and therefore feel that I am qualified to speak from actual experience. I have read considerable of the testimony introduced before the Senate Committee on Agriculture, both for and against the Kendrick and Kenyon bills, and the statement of Mr. Patrick Brennan, president of the Independent Packing Co., of Chicago, very closely coincides with my views and in order to save your valuable time I submit a copy of his testimony, or rather an extract, as I have eliminated portions that cover his particular business. However, if you would care to hear this statement, I would be very glad to read it.

In addition to the statement made by Mr. Brennan, I would like to make the following points in opposition to the proposed legislation. I am assuming that the object of this bill, among other purposes, no doubt includes a desire to assure the farmer of a fair price for the animals he produces, also to assure the consumer of a supply of meat and meat food products at reasonable prices, also allow the packer a reasonable profit on the capital employed. It is alleged by the Federal Trade Commission that the large packers monopolize the packing industry and that the small packers are existing at the sufferance of the large packers; that there is unfair competition in the merchandising of this product. My experience all proves to the contrary. Since severing my connection with the large packers, I have received nothing but encouragement from them and at many times have received very valuable information. By this I do not mean to intimate that their competition is not severe. It is competition that is legitimate and it is competition that is hard to meet owing to the quality of their goods, the excellent service which they give, the length of time that their product has been before the public, and their ability as advertisers. I know of no case in which they have in any manner attempted to interfere with our business; to cut us out of business; to make it difficult for us to secure an adequate supply of live stock or to prevent the sale of our product except by approved business methods in the way of legitimate competition and methods such as are employed by other lines of industry. I know personally a great many of the smaller packers and I have never heard any one of them express the thought that the Big Five were discriminating against them.

We are opposed to the legislation on the ground that it is unnecessary and that we have laws that fully cover the situation if these laws are intelligently and properly enforced. I have read carefully the report of the Federal Trade Commission which has been issued up to date and am free to confess that I have not assimilated all of this report, but my view coincides with the statement made by some one last summer (I believe it was a representative of the Chamber of Commerce of Chicago) that if the statements made by the Federal Trade Commission are true, it is the duty of the Attorney General to prosecute the so-called Big Five.

The proposed bill, on account of the alleged crimes of the Big Five, proposes to penalize the whole packing industry and make the packer who is operating his business in an absolutely legitimate manner, suffer for the practices or alleged practices of the Big Five. To my mind, a great many of the advantages enjoyed by the big packers have been given them through unwise action of the different departments of our Government and from the fact that the different departments of the Government do not coordinate. In large corporations no department of the business would think of taking a decided position on a vital matter without at the same time consulting the other departments with a view to learning what effect this action would have on the balance of the business. They will make some ruling without looking into or investigating to see what effect it will have on some other department of the Government.

As an illustration, I wish to cite you the following case and I cite it from a selfish standpoint as it has a direct bearing upon my own

business. Prior to June 25, 1918, the freight rate on packing-house products from Des Moines to Boston was 51 cents and the rate on live hogs was 61½ cents. It was announced some time previously to June 25 that the United States Railroad Administration would make a flat increase in rates of 25 per cent, to which we could have no valid objection with the exception of the increased cost of doing business, but as long as all our competitors were paying the same rate, it left us on the same basis. But when these rates were finally published and put into effect, instead of increasing the live-stock rate 25 per cent the same as they did the rate on packing-house products, there was a proviso that "in no case would the total amount of the increase exceed 7 cents per hundred pounds." The effect of this was that the live-stock rate mentioned was increased to 68½ cents whereas if it had been increased the full 25 per cent, the new rate would have been 76½ cents, thereby giving the packer or packers operating in New England and New York City and the territory surrounding Greater New York an advantage compared with the Western packer of 8 cents per hundred pounds on all their live stock shipped from this territory.

As soon as we knew of this proviso or exception we endeavored to learn why this had been inserted in the tariff without the packing industry being consulted or any hearings being held, and the only information we could obtain was that on account of the drought in Montana it was the desire of the Railroad Administration to assist the movement of the Montana cattle to the East. If this was the desire, why did they not make this proviso apply to cattle only and not include all live stock? They had the power to make it cover cattle only from Montana if that was their desire, because under the administration they could make any regulation they saw fit.

In addition to this, there is what is known as zone rates in certain sections which result in the establishment of what is known as concentration points. The effect is that live stock, and particularly hogs, can be purchased within a radius of 50 miles or more—in some cases as far distant as 150 miles—through billed to New York or Boston or many other eastern points with a stop-off privilege at the concentration point where they are allowed to feed, sort, double-deck, and reship these hogs and enjoy the through rate from the point of origin to the final destination if this is done within 10 days from the date of the original waybill at point of origin. This means a saving of anywhere from 10 to 15 cents per hundred pounds as compared with taking the rate from the point of origin to the concentration point and adding the through rate from the concentration point to the final destination. This added to the saving already mentioned of 8 cents, is a total of 20 cents per hundred pounds live weight which the eastern packer enjoys compared with the packer in the State of Iowa.

This system is similar to the milling-in-transit rate, and in order to have the same effect as the milling-in-transit rate and put us on the same basis as they are the large packers, they should, when we ship out product produced from the hogs we buy, give us the same benefit on our outbound shipments of packing-house products to far eastern points, which would practically mean that the railroads

would absorb the freight on our live hogs from near-by points int Des Moines. We claim that if the railroad can haul hogs 150 mile to these concentration points for nothing, that it would be perfectl legal and proper for the railroads to haul hogs into Des Moines, th same distance, for nothing, especially in view of the fact that w are in position to give the same railroad an equal tonnage of dea freight to the seaboard, thereby giving them a long haul, and it i as good net returns to them as they would receive on shipments o live stock. Of the cases cited, one comes under the Railroad Ad ministration and the other comes under the Interstate Commerc Commission. This advantage of 20 cents on our live-stock pur chases for the year 1919 would amount to $104,000, which would b equivalent to a dividend of over 4 per cent on our capital stock These kinds of advantages given by one department of the Govern ment voluntarily will to a very large extent explain why the larg packer enjoys an advantage compared to the small packer. I ca not blame the big packer for taking this advantage when some de partment of the Government voluntarily gives it to him.

Before deciding to establish the Iowa Packing Co. at Des Moine I investigated very carefully the supply of live stock, freight rates railroad service in and out of Des Moines, and I contend that an business man had a right to assume that with the rates then in effect so far as proportion is concerned, continuing in effect (and by pro portion I mean the proportional rate on packing-house products com pared with the rate on live stock), after this investigation, the situation at Des Moines certainly looked favorable. While an ad vantage of 8 cents per hundred weight given to live stock as compared with packing-house products under the tariff issued by the United States Railroad Administration June 25, 1918, may appear small still it is large enough so that if I had anticipated as drastic a change as this I would have decided to not start the enterprise. There are many other advantages, but I simply mention this one, as I consider it is concrete, and I do not believe there is any question but what the statements as made are correct. If the question is as serious as one would infer from the report of the Federal Trade Commission, why not make an effort to correct these inequalities instead of passing legislation that will brand the whole packing industry as being corrupt, and it certainly would be an admission on our part that we are operating our business in an illegitimate manner if we sanctioned the proposed legislation and did not protest against same.

If this bill is enacted into law, instead of our business being governed by specific and definite laws, we will be governed by rules and regulations and a multitude of orders promulgated by individuals who can not possibly be familiar with the details and ramifications of the packing business, and the problems which concern each and every packer daily and which must be acted upon promptly, otherwise their business would be in jeopardy.

We do not mean to criticise the Department of Agriculture in the following remarks, but it is intended as some illustration of the difficulties of Government control. What is known as the meat inspection bill was approved June 30, 1906, and has been in effect since that date. On or about the same time the pure food bill was approved, which is also enforced by rules and regulations issued by the

Department of Agriculture. For the first five or six years after meat inspection law went into effect the packing industry was hampered by changes in regulations and changes in methods, all of which added enormously to the cost of doing business and from which the public nor anyone else derived any benefit. Of course there was a gradual improvement from year to year, and since 1913 there has been very few changes in the rules and regulations, so that at the present time the packer knows what these rules and regulations are (these are somewhat voluminous and consist of 81 pages, 5 by 8 inches), and is reasonably certain of having a hearing before they are changed, but in the first few years these rules and regulations were arbitrarily changed without the packer being given an opportunity of a hearing so that they could explain to the different departmental heads what effect the proposed regulations would have on the packing business.

For the first five or six years after these rules and regulations were put into effect, somebody would sit here in Washington and figure that they ought to make a certain change and they would make it, and nobody who had practical experience in the business had any vote on it at all. The first we would know of it would be when we would get a printed circular to do this or to do that. I remember one change that cost us $30,000 at one time in buying new labels. There were absolutely destroyed over $30,000 worth of labels because somebody in Washington thought the label was not worded just right. They wanted a change made in the wording of it. If they will do that in just one little department of the packing business, what will they do if they run the whole packing business?

I might say here that I am personally acquainted with a very large number of the packers in the United States, and I have never heard one of them make any objections to meat inspection itself. In fact, they all agree that the public should have pure, unadulterated food and food that is not diseased, but at the same time I believe they do all object to regulations that are not based on sound economic principles. During the first six or eight years the Bureau of Animal Industry arbitrarily condemned meat-food products worth millions of dollars and compelled the packers to put this product into the grease tank instead of allowing it to be used for human consumption. They did this over the repeated protests of the packing industry. They were apparently proud of it. They issued statistics showing the number of cattle and hogs and parts of cattle and hogs that were condemned, with the idea of showing that they were doing efficient work, when they were condemning stuff that you or I or any of use would be glad to eat. They condemned it on top of protests by the packers. Who pays for this food that was thrown away, the man who produces the cattle, the man who produces the hogs, or the consumer; one or the other pays for it or else the packer, by reducing his profits.

Two of the highest officers of the Department of Agriculture admitted to me personally that the food in question was absolutely sound and wholesome and fit for human food, but they did not dare allow it to go to the consumer for fear that they would be attacked by the newspapers, and as evidence that the packers' position was correct the Bureau of Animal Industry is to-day and has been for several

years allowed the same kind of food product to be used for human consumption that for years before they compelled the packer to put into inedible product, and the loss in so doing was so enormous and created such a reduced supply of that particular product that the market value of it, both in this country and abroad, showed a steady increase, and this in the face of other products showing a decline.

There is an absence of finality to these inspections. After your product is inspected you do not know whether it will pass another inspection at some other place or not. As an illustration, we shipped January 3 to a packer on the Pacific coast a carload of edible beef tallow. This tallow was produced under Government inspection and pronounced O. K. When the tallow was shipped it was again inspected by a Government inspector and pronounced O. K. Shipping samples were drawn from the actual shipment and sent to the Government laboratory at Omaha and pronounced O. K., but when the tallow arrived on the Pacific coast the Government inspector at San Francisco claims the tallow was rancid. The result is that this tallow is held up at Portland, and can not be used until the dispute between the inspectors on the Pacific coast and the inspectors at this end is settled. This means that business is retarded and that the buyer of this tallow is suffering an injury, as, no doubt, he bought it for use in the ordinary course of business and did not expect that his investment would lie idle for 30 days or longer. The point that we wish to make is that a case of this kind between business men could be settled in 24 hours, but it is an impossibility to be so handled under Government supervision. We ourselves are not concerned in it from a monetary standpoint, because we have got our money out of it, but we are concerned in it from a moral standpoint. In other words, we believe in delivering what we sell, but with our regulations we do not know whether we are doing it or not, and there is nobody who will tell it.

Mr. YOUNG. The logical conclusion of your argument is that you would do away with all inspection.

Mr. FULLER. No; the logical conclusion of my argument is that in business that would have been settled in two days, but on account of the red tape of the Government it has taken over 30 days. I believe in inspection and I want inspection, but I would like to have it administered in a businesslike manner.

Mr. COLLINS. What kind of business agency would you have settle that in two days? Who would be the parties to do that?

Mr. FULLER. We could settle it by wire.

Mr. COLLINS. What agency are you going to have to do that; who is going to be the man to pass on it?

Mr. FULLER. As an illustration, there is an agency known as the Chicago Board of Trade inspection, and if you get a certificate from the Chicago Board of Trade that says these goods are sound and wholesome, that certificate is good in England, it is good in France, it is good out on the Pacific coast, but if you get a certificate of inspection from the United States Government at Des Moines, it is not any good after the goods have left Des Moines.

Mr. COLLINS. If we had a live-stock agency such at the Senate bill provides and they had nothing else to do but to attend to that, then they could handle it.

Mr. FULLER. The live-stock agency would not be competent.

Mr. COLLINS. Why would it not be as competent as some business agency?

Mr. FULLER. It would be just the same thing if it was under Government supervision.

Mr. COLLINS. Then we might as well submit it back to the packer and let him pass on it.

Mr. FULLER. No; I believe in inspection but I want some finality about it as to goods that are not perishable. If it is fresh pork or something that is perishable, that is a different proposition, but here is a piece of goods that can not spoil.

Mr. COLLINS. That is just what we want—some agency that we can submit that to and have it settled in two or three days.

Mr. FULLER. We have that. We have the Department of Agriculture and we have to follow their rules.

Mr. COLLINS. But they have many other duties to perform.

Mr. FULLER. Well, you take a commission, and you will get the same results. I do not mean to criticize the Interstate Commerce Commission, but suppose I have a case before the Interstate Commerce Commission. For instance, take this case I just spoke of, as to the question of freight rates. It will cost me anywhere from $10,000 to $20,000 to employ competent lawyers to go down and argue a case before the Interstate Commerce Commission, and I will probably get a ruling in about one year. Here is a case of a discrimination, which I mentioned, of 8 cents, which was put in by the United States Railroad Administration, and I have tried for two years to get that corrected.

Mr. COLLINS. In your article there, you said they told you that was to correct the Montana business. When did they write you that letter?

Mr. FULLER. I did not say just that.

Mr. COLLINS. You said it was to get the cattle in from Montana on account of the drought.

Mr. FULLER. That was the only information we could get.

Mr. COLLINS. This 25 per cent increase came before the drought ever came along in Montana.

Mr. FULLER. That may be, but that is the answer I got.

Mr. COLLINS. That maximum of 7 cents on cattle was put on for the sole purpose of protecting a long shipment from California to market.

Mr. FULLER. All right; but it is not 7 cents on cattle. It is a maximum of 7 cents on live stock.

Mr. COLLINS. If that 25 per cent increase had been brought up before the Interstate Commerce Commission, that mistake probably would not have occurred, but the Railroad Administration did not have time to go into all those details, and they put a flat 25 per cent on and excluded live stock.

Mr. FULLER. Excuse me; after the tariff was published, it was brought to the attention of the Interstate Commerce Commission, and no action has been had on it up to the present time.

Mr. ANDERSON. Of course at that time they had no power to take affirmative action on it.

Mr. FULLER. That is very true. The point I am trying to make is not a criticism of the Interstate Commerce Commission or of the

Department of Agriculture as such. The only point I am making is what Government control means when you are trying to get quick action on something that means dollars and cents to the packing business.

Mr. ANDERSON. You say you do not want to criticize them, and yet what you are doing is to criticize them.

Mr. FULLER. I do not mean it in that way. It is a criticism of Government control. I think the Interstate Commerce Commission is very efficient.

Mr. ANDERSON. What do you want us to do—repeal the Government?

Mr. FULLER. No; I want you to pass a direct law that says what I can do and what I can not do instead of giving a body of men or one man power to issue some rule without somebody to tell them just what will be the effect.

Mr. ANDERSON. Then we would have the reverse of this situation and before we could get you to do anything we would have to get an injunction against you the same as the rest of the packers.

Mr. FULLER. No; you would not. I am obeying the laws in effect, and I intend to obey every law that comes to my knowledge.

Mr. ANDERSON. Of course I did not mean to imply that.

Mr. FULLER. I do not mean myself personally. You are not going to abrogate any laws you have got. I am arguing that instead of having a commission or some department of the Government to regulate the packing industry pass some direct, specific laws to regulate them; and if you want to take away the advantages that the large packers have—as I understand it, it is the large packer who is really on trial—go and cut out what we call special advantages that are given to the big packers. If I was a big packer, I would be glad to take those special advantages. I would not consider I was a criminal because I did, because they are offered to me. Now, let us cut them out and put us all on the same basis; and if you do that, the little packer will grow just as fast as the big packer.

Mr. ANDERSON. That is just what is proposed shall be done by this commission.

Mr. FULLER. But they have not offered anything constructive. They have simply offered to appoint a commission or somebody to go and theorize and run our business on their theories. When the meat inspection law went into effect, every one of them, from the Secretary of Agriculture down, treated a packer as if he was a criminal. They would not listen to reasonable advice or explanation from us.

Mr. ANDERSON. You had a direct law in that case that told you what to do and what not to do.

Mr. FULLER. Excuse me, you have not a direct law there to-day. Your meat inspection law is being inforced to-day on theories.

Mr. ANDERSON. The prohibitions on what you can do are as direct as any law could be.

Mr. FULLER. There are cattle being condemned and you could not get any doctors in the United States to go on the witness stand and say that the disease could be communicated to the human being.

Mr. ANDERSON. So far as I am concerned as a consumer I would certainly hate to have the meat inspection law enforced on the theory that the only cattle to be rejected were hose having diseases which were communicable to human beings.

Mr. FULLER. Well, they are being enforced on the theory—I am speaking now for the benefit of the cattle producer—there are perfectly good cattle being put into the tank and not used for food that I would be glad to eat, and there is no physician——

Mr. ANDERSON (interposing). Well, maybe you have a different appetite from what I have.

Mr. FULLER. No; you could not get any bacteriologist or physician to go on the stand and say that eating that meat would create any disease.

Mr. TINCHER. Have you ever heard of a cattle producer who objected to these cattle being condemned and not used for food?

Mr. FULLER. I have heard a lot of cattle producers object to the fact that they were not getting as much money as they would like for their cattle, and if these cattle are put in the grease tank, it decreases their value.

Mr. TINCHER. I would like to have the name and address of a cattle producer who objects to the condemnation of his cattle that are held by the inspectors to be unfit for food.

Mr. FULLER. I have never heard a cattle producer say that.

Mr. TINCHER. No; I have never heard of one of them who would object to losing money that way.

Mr. FULLER. I can show you a lot of cattle producers who object to having their cattle inspected. We have thousands of farms in Illinois and Iowa where they will not allow their cows to be inspected voluntarily. It is safe to assume that the reason they do not care to have them inspected is for fear they will have them condemned and have to take a loss.

Here is another illustration as to their rules and regulations. We can not brand sausage according to its real name. If we want to brand Bologna sausage, we have got to brand it "Bologna style sausage." I am free to confess that I have never as yet heard of any one going into a meat market and asking for "Bologna style sausage." When this regulation was put into effect, we took it up with former President Theodore Roosevelt, who was President at that time, and he said, "What! Does the Department of Agriculture mean to say I can not have my Vienna rolls for breakfast?" I thought that was a very good illustration; but the Department of Agriculture thought we were hoodwinking the public if we branded our sausage "Bologna" because somebody migh think it was made in Bologna, Italy, or Bologna, France, and imported here. The same thing is true of Frankfort sausage. We have to brand it "Frankfort Style Sausage," for fear some one might think these goods were made in Frankfort, Germany, and we were foisting them on the public as imported goods.

In enforcing a law of this kind, to commence with, it is apparently assumed that the packer is a criminal and that every possible safeguard must be used for fear that he will deliberately violate some of these rules and regulations. As an illustration, the use of borax is not permitted in the packing industry in the United States, but it is permitted to be used on products shipped to foreign countries, providing the foreigner asks for it. This makes it necessary for the packer to carry a supply of borax, and in order to do this he must store this borax in a separate compartment, under

Government lock and the key in the possession of the Government inspector. This, comparatively speaking, is not much of a hardship, but it is followed farther. As an illustration, the British ministry of food are buying millions of pounds of product with instructions that it be packed in borax, and as a rule the meats are packed in 500 or 600 pound boxes. Recently, on account of a temporary oversupply of pork product in England, the British Government has asked the packers to pack up these goods and put them in cold storage for their account, and later on they will be exported to Great Britain. Under the rules and regulations, even if these goods are packed in boxes with three iron straps around them and placed in cold storage, they must be placed in a separate compartment or separate cellar, and no other meats can be put into this cellar. What is the result? We may have a large cellar with storage room for 2,000,000 pounds of meat. We only have a million pounds of meat for domestic trade that we want to carry at this temperature.

The result is that we have vacant room for a million pounds, but the Government will not allow us to utilize this for storing of this product in boxes. This simply increases the cost of doing business, as it costs us just as much to maintain refrigeration in this room when it is half full as it would if it were full. This increased cost of business is passed along to the consumer or else it reduces the profits from the business or else reduces the price we can pay for live stock. With our experience under the meat-inspection act such as it is, what can we reasonably expect will be our experience under the proposed bill, making all our business subject to any rules and regulations the department sees fit to make, with practically no appeal on our part. In my opinion, if this bill is passed, instead of correcting the evils which they aim to correct, it will compel a very large percentage—fully 50 per cent, and possibly more—of the smaller packers to go out of business. I do not believe it would be possible for the smaller packer to finance his business if this legislation goes into effect.

We are in full sympathy with the idea of improving economic conditions and reducing the cost of doing business; increasing production and in that way reducing the ultimate cost to the consumer, and as evidence of this we might state that we are purchasing our hogs delivered at our plant without being fed. When these hogs are shipped to the large markets, they are fed on an average of over 6 bushels of corn to the load, and I know of cases where it has run as high as 16 bushels to the load. What is the result? The farmer pays $2 a bushel for this corn; the packer pays for the weight at whatever the market is for live hogs—at the present time, approximately 14 cents. These hogs are sent up to the killing floor, they are opened up, and this corn goes into the sewer. In other words, all of this corn is wasted. Why? In order to reduce the natural shrinkage on hogs from the time they are shipped until they reach the public market. From an economic standpoint, it would be much better to pay greater prices for hogs without this fill, and this is what we are doing. In this way the farmer would net as much money as he does at present, and instead of the corn being wasted it would be used for food elsewhere. We are following this plan, and it is being followed by several other packers, and this line of

thought leads us to the conclusion that it would be better for the producer and also for the consumer if smaller packers located near the producer is given all the encouragement that he can be given legitimately.

In shipping live hogs a long distance, such as from Iowa to New York City and New England States, experience shows that there is an average shrinkage of about 2 per cent in the weight of the meat. This is in addition to the shrinkage caused by the loss of the fill. This is an actual shrinkage, not the loss of the fill, but the actual meat in the hog will show a shrinkage of about 2 per cent in that distance.

These hogs when killed at destination will yield from 70 to 74 per cent; say an average of 72 per cent. In other words, freight has been paid on fully 25 per cent of waste, whereas if these hogs were killed near the producer a large portion of this waste would be eliminated and freight would have to be paid from Iowa to seaboard on only 75 per cent of the weight as compared with the freight paid on live hogs. In addition to this a short haul will be more profitable to the railroad companies in requiring the use of less cars and giving the farmer or shipper much better service than they have in the past. I know of parts in Iowa last winter that did not have a single live-stock car for over 30 days, because the cars were delayed either in movement to or from. There is much stress laid on the question of divorcing the packer from the private refrigerator car. As an argument that this is not practical, we give you our actual experience: In 1918, on account of conditions caused by the war, it was absolutely impossible for us to purchase or lease refrigerator cars, and we therefore depended upon the Railroad Administration to supply us with cars. The result was that we were supplied with refrigerator cars in very poor repair and in such condition that proper temperature could not be maintained. This resulted in the fresh meats arriving at destination out of condition. This, in turn, resulted in these meats being sold at a decided reduction in price. Since we succeeded in securing a supply of our own cars and since we have watched the repairs and maintenance of them, we have not had a single complaint about the condition of our product.

In 1919 we succeeded in leasing 100 first-class refrigerator cars, and while we are using these cars at a decided loss—that is, the mileage and earnings of the car do not equal the rental—they are absolutely necessary if we expect to deliver our product to our customers in proper condition. Another thing is in order to be certain of a supply of these cars, it is necessary to carry more of them on hand, which necessarily reduce earnings. What would be the effect, from past experience, if we were dependent upon the railroads to furnish us with these cars? We would have cars one day, the next day we would be without cars. One day we would have cars in good condition; another day in fair condition and another day in very bad condition. In other words, we would not know from day to day whether or not we could obtain a supply of cars or whether the cars we did obtain would be in suitable state of repair.

We therefore ask you not to pass a drastic bill of this nature which undoubtedly will injure the smaller packer to a much larger extent

than the large packer, and instead of curing the evils which you aim to cure, you will simply be increasing them.

Mr. YOUNG. Mr. Fuller, what do you think of this suggestion: The question of getting cars has been a troublesome question, especially during the war. In my State we have a statutory provision whereby, if I am a cattle shipper, for instance, and have five cars of cattle to ship to-day, under a statutory enactment I can serve notice on the railroad agent that I want those cars on a certain day, and he has so many days, I believe, five days, in which to furnish them. We had never had any trouble before the war in getting these cars for the reason that there is a statutory penalty that accrued immediately if the cars were not there. What do you think about having some regulation of that kind for the small packers and also the large packers, so that they will make it their business to furnish the transportation, and if you have a regulation of that kind and demand these cars, and the cars are not received, then there is a statutory penalty which at once accrues?

Mr. FULLER. I think the idea is a correct one, but it would not work out in the packing business, for this reason: I can not wait five days for these cars. If we waited five days for a refrigerator car, we would be out of business in a certain, particular market.

Mr. RIDDICK. You could anticipate your wants, could you not?

Mr. FULLER. We could, a percentage of them; yes, sir; but a great many of them we could not. We are obliged to sell our product from day to day in competition with overyone. There may be an oversupply of meat in Washington, for instance, and it is a poor market that day. At the same time we might receive an order from New York at a fair price. If I got such an order calling for a car of meat at 5 o'clock yesterday afternoon, it would be expected that I would ship that car to-morrow. With this suggested provision I would have to wait five days for the car. I would be out of business, and the man in New York would say, "No; I don't want your beef."

Mr. YOUNG. I did not mean to suggest that five days would be the proper limitation, but, as I recall it, that is the limitation in my State.

Mr. FULLER. Personally, if the railroads could be put in a position so as to keep each packer supplied with refrigerator cars, I would have no objection to it, but I believe that we all realize it would take five years, approximately, before the railroads could get in position to supply each person with the cars required in his business when wanted. The average refrigerator car that is being maintained to-day by the railroad company is not fit to ship fresh meat in. It will do all right to ship a product that we figure requires semi-refrigeration, but the average car owned and maintained by the railroad companies to-day will not carry the proper temperature for a distance of 500 miles. They leak cold air, and the result is that you have fluctuations. Of course, when they stop at an icing station and put in 4 or 5 tons of ice, for the next 10 or 12 hours you will have pretty good temperature, and then for the next 10 or 12 hours your temperature will gradually go up, and that is what damages your beef or your pork; that is, the fluctuations of the temperature. From what little I know about the refrigerator-car service, I do not

see how you can expect in less than five years for the railroads to be able to get a supply of cars and have the cars which they have now in reasonably first-class condition.

Mr. COLLINS. If they would take over the supply of refrigerator cars already in the country, they would have them on hand, would they not?

Mr. FULLER. They would have those on hand. That is very true.

Mr. COLLINS. And if they had them on hand, they could keep up the equipment after that, could they not?

Mr. FULLER. But would they keep them up? Have they got the facilities to keep them up?

Mr. COLLINS. I think they could be made to do it; yes.

Mr. FULLER. There is a large shortage of refrigerator cars to-day. As an illustration, I was offered last week $50 per car per month for a few refrigerator cars. That was a rental. The ordinary rental on refrigerator cars is somewhere around $30. That is a good illustration of the fact that there is a larger demand for refrigerator cars to-day than can be supplied. Very few refrigerator cars have been built during the war and the business has grown in the meantime and we had a shortage when the war started, and the result is the shortage to-day is greater than it ever was before.

Mr. YOUNG. Getting back to my former statement, I have observed that during the war the States' statutory enactments were all displaced with reference to transportation and everything went under Government operation. The whole life of a community has frequently been held up down there in the transportation of cotton, for instance, which was concentrated at the compresses. It was compressed to a certain density in order to go out to the foreign trade. We had no trouble getting cars before the war, under this statute I spoke of, for these compresses. While the war was on and these statutory enactments were displaced, we could not get cars for love or money, the result being that a whole community would be tied up in its financial operations because, of course, to get your money on this cotton your bill of lading has to be atached to the draft before you can get the cash.

Mr. FULLER. Yes.

Mr. YOUNG. Now, to get back to the point, again, it does seem to me that there should be some order of the Interstate Commerce Commission, or somebody, somewhere, by which the people engaged in transportation and who have charge of that question, should be required to meet the demands of the shipping public, so that they can not dillydally about it, and so that you as a packer—I believe you represent the packing business—if you saw the need for so many cars at a certain time, either by order of the Interstate Commerce Commission or by statutory enactment, or by reason of some kind of power somewhere, could be assured that this transportation company would furnish the transportation facilities to meet your demand.

Mr. FULLER. That would be ideal.

Mr. HULINGS. You mean that they must furnish the transportation to meet the normal demand. Suppose occasion should arise whereby you had two or three times the normal demand in an emergency,

would you seek to compel the railroad company to furnish them under such circumstances?

Mr. YOUNG. There might be an abnormal situation, of course, that could not be reached by any statutory enactment; but there is a normal way of doing business in the packing business; there is a normal way of doing business in compressing and shipping cotton; there is a normal way of doing business through the elevators that ship your wheat and your grain. You know when the rush season comes and the transportation company ought to know those things just as a community knows them, and we ought to have some power or authority somewhere so that these demands would be met and met promptly.

Mr. RAINEY. Mr. Young, in the recent railroad bill signed by the President about February 28 the Interstate Commerce Commission, if I remember, are authorized, when they think it necessary or in their discretion, to get these refrigerator cars, or at least the number of cars necessary to supply the normal demands.

The CHAIRMAN. Mr. Fuller, have you finished your general statement?

Mr. FULLER. I just wanted to remark in answer to the remarks of Mr. Young that your suggestion would be ideal if you could determine what was normal. Now, I am looking back before the war times, and I realize, of course, what effect the war had on us, but you take the packing business—it is very hard to say what is normal. For instance, to-day I might require 2 refrigerator cars and to-morrow I might require 20 and the next day I might require only 5, and from my experience, even as a small packer, I know that the fluctuation in the business of the large packer is practically the same as it is in mine. Therefore it would be practically impossible for the packing industry to say in advance to the railroads how many cars we would require. That is one reason why the packer is obliged to keep standing on his tracks, lying idle, a great number of refrigerator cars, so that they are ready for an emergency, and you can not—or, at least, they never have in the past—been able to induce a railroad to keep a supply of empty cars subject to call, because in the nature of the business a railroad intends to keep its cars busy.

Mr. RAINEY. Mr. Fuller, right there, if the packer did not have a sufficient number of refrigerator cars to take care of his meats, would it not be detrimental to the producer, because the packer could not buy the cattle as they were shipped in?

Mr. FULLER. It certainly would. In other words, I consider anything that is detrimental to the packer in handling his business in a first-class way is detrimental to the producer. I think the history of the Middle West shows that the packing industry, even after allowing for all the criticism you want to make, has helped build up the live-stock business, and by that I am not talking about the ranges. I am talking about live stock, cattle, hogs, and the dairy industry. I am referring to the packing industry in the Middle West—in Iowa, Illinois, Kansas, Missouri, and Minnesota. I am not here to defend Swift & Co. I do not mean that; but I mention this because I was identified with it and I know what was done. For instance, take the St. Paul market. When Swift & Co. went into the St. Paul market there was practically no market in that territory for cattle

and hogs. They had to go to Chicago. What has been the result in the State of Minnesota? At that time in southern Minnesota the live-stock industry was in pretty good shape. Outside of southern Minnesota there was very little stock raised, and to-day St. Paul is one of the biggest markets you have in the United States. And why? Who would have developed it if it had not been the packer? You have got to have a market for your live stock, gentlemen, and the packer is the medium between the producer and the consumer.

Mr. COLLINS. Who was on the ground first, Mr. Fuller?

Mr. FULLER. At St. Paul?

Mr. COLLINS. No; in this meat industry.

Mr. FULLER. I can not go back further than the time when I was 19 years of age.

Mr. COLLINS. Were not the meat producers there first, before the packers came?

Mr. FULLER. Very true; and in the same way we were governed by the law of barter in those days, and we would exchange commodity for commodity and not for money. You could not operate this nation on any such proposition now. I do not mean to belittle the producer, because he is the one who is making our country prosperous. I live in the State of Iowa and I am in touch with the producer.

Mr. COLLINS. The fact is, the packer did not blaze the way.

Mr. FULLER. No; he helped, though.

Mr. COLLINS. He followed up when the pickings were good.

Mr. FULLER. And what would have been the result if it had not been for the evolution of the refrigerator car? I remember in the city of Pittsburgh that they used to tell us that this meat was poisoned and not fit to eat because we shipped it in refrigerator cars. They called it embalmed beef. The packer helped to educate the public, did he not? Is not the packer entitled to some credit for that? The same thing was true in San Francisco. They said we were selling embalmed beef, and they would say, "Don't eat it; it will kill you."

Mr. COLLINS. There is no quarrel there, Mr. Fuller.

Mr. RIDDICK. Mr. Fuller, I listened to your criticism of some of these regulations, and I have no doubt there is some justice in the criticism. I would like to have your judgment from the consumer's point of view as to the result of some of those regulations.

Mr. FULLER. Of the Department of Agriculture?

Mr. RIDDICK. Yes.

Mr. FULLER. I think they have been good, and really I am in sympathy with them. I only brought out these cases, as I say, not as a criticism, but they were brought out to try to bring to you forcibly the handicap that the packer is under when he works under rules and regulations and red tape.

Mr. RIDDICK. And you think the injustices largely have been because those in charge have been theorists instead of practical men?

Mr. FULLER. I do. I think it is largely theory, and another thing which was one great trouble originally, and it took six or eight years to eliminate it, was that they started out on the theory, "Here is a bunch of criminals and we have got to do something; put every safeguard around them to see that they do not violate our rules and

regulations," instead of treating us as men and as though we wer honest and listening to the suggestions made by us. I will give yo another illustration. They had a theory that saltpeter was poisonou and injurious to the human system. Maybe it is and maybe it is no I do not know, but I do know from actual experience that if yo do not use saltpeter in the curing of meat you will have from 3 to 60 per cent sour meat. The Bureau of Animal Industry spen thousands and thousands and thousands of dollars trying to prov that the packer did not know his business. They said, "We will cur this meat without saltpeter and it will all be sweet." I turned ove to them a section in the cellar, gave them the meat, gave them th salt and the sugar, and they put in their men there and experimente on curing meat without saltpeter. The result was that their meat showed all the way from 10 to 80 per cent sour on meat that th packer had nothing to do with.

Now, if they had had any confidence or had treated the packer a though he was a man, and talked to him man to man, they would no have made that experiment. Now, we do not object to their experi ments. It is a good idea, because after making their experiment and finding out for themselves that the packer did have a certai degree of truthfulness in him, they have had more respect for us tha they did to start with. But when you start out with a theory—an evidently the Federal Trade Commission started out with the theor that the packer was guilty—I do not know whether the packer i guilty or not, but I think when I go to investigate something I ought to go with an open mind, if I possibly can, and without any preju dice, and I think the Government ought to treat us the same way.

Mr. RIDDICK. If Congress passed a bill providing for a commissio to form regulations for the packers, what would you think of th idea that the commission should be comprised of one experienced packer, one experienced producer of beef, and a man, perhaps, repre senting the consumer? What would be your idea of that kind of a commission?

Mr. FULLER. If a commission had to be appointed, that would ap peal to me. I think it would be unfair to the packing industry, in case of commission rule, unless there was a high-grade packer on that commission.

Mr. RIDDICK. As a packer, do you not believe that that kind of commission could accomplish a great deal of good?

Mr. FULLER. Yes; I do; at the same time I do not believe in com mission government. I am unalterably opposed to commission gov ernment.

Mr. RIDDICK. Have you any objection to legislation providing that the packers shall not go into other lines of business?

Mr. FULLER. No objection, except that I do not consider it Amer canism. So far as I am concerned personally, I do not care whether I go into other lines of business or not; but look at the contrast—your wholesale grocer sells golf balls, rubber tires, and is that a part of the grocery business or the food business? Take Sears, Roebuck & Co.; they sell everything, do they not? If you are going to start in with this kind of legislation, have not I, as a packer, got a right to sell anything I see fit, if I do it in a legitimate way?

Mr. RIDDICK. You think there is no menace or danger of one group of people controlling too large a proportion of the food supply?

Mr. FULLER. I do not think there is any possibility of a big packer or any group of packers controlling the food supply of the United States. There are too many men with brains and ambition in these United States for any group of men to control it, and if the Government will kindly enforce the laws doing away with these special privileges and give the small packers a chance on an even basis, he will show you that he can grow just as fast as anybody; and we are handicapped, as I have shown you here. I am handicapped 20 cents per hundredweight for no cause whatever, and instead of its doing anybody any good it is doing the producer of cattle and hogs in the State of Iowa an injury.

Mr. RIDDICK. Do you think any legislation is needed at all to conserve the packing industry?

Mr. FULLER. I think there is legislation that could be passed that would be of benefit to the packing industry. And if three conscientious men were appointed as a commission to investigate the ramifications of the packing business, to look into what effect these favored practices are having on different lines, to try to get them corrected, that it would do a great deal of good.

I cited you my case, that if I want to go to the Interstate Commerce Commission, which I have to do in order to get this rate corrected, that as a business man and not a lawyer, I have great delay and expense. And I claim that this regulation of the Interstate Commerce Commission covering concentration points allowing sorting and rebilling of hogs is absolutely illegal. But in order to prove that to the Interstate Commerce Commission it is going to cost me about $25,000. Now, gentlemen of the committee, if I had a capital of $100,000,000 and a surplus of $100,000,000, then $25,000 would not amount to anything to me. But it so happens that I have a deficit in my company, that I lost money last year on account of war conditions. I am not justified in spending $25,000, approximately, to induce the Interstate Commerce Commission to listen to my line of argument. And if I do not employ a high-class traffic man and a high-class lawyer, I will get nowhere with my case. Now, if it were based on common sense, if these rates were based on what we call the mileage rate—on which they will be based eventually—the situation would be different; and we hope that sooner or later the milling in transit rate will be cut out, and that all special privileges will be cut out. But it will take time, and my business may be ruined before that time comes.

Furthermore, gentlemen of the committee, if you appoint a commission of three men to run the packing business, who is going to have the greatest influence with those men? I am not talking about sinister influences or bribery, or anything of that kind at all; but who is the man who is going to be in a position to in a measure steer their rules and regulations? Is it me, out in the State of Iowa, who can get to Washington only once a year, perhaps, and who is not known by them; or is it the man who can get to Washington every week, or every two weeks, and who can get personally acquainted with them?

Mr. COLLINS. Can you make a specific rate by law to cover these things you are talking about?

Mr. FULLER. You have a law already covering that proposition, but the trouble is that the law is not enforced.

Mr. COLLINS. You can not make a specific railroad rate by statute can you? There must be a commission to regulate rates.

Mr. FULLER. That is true. And, gentlemen of the committee, want to say right here and now that I have the greatest admiratio for the Interstate Commerce Commission. The small packer wa up against it until the Interstate Commerce Commission was estab lished, and they have done a world of good. In fact, you would no have any small packers at all to-day if it had not been for the Inter state Commerce Commission.

Mr. ANDERSON. But you are leaving us no alternative. You sa you are opposed to a commission, and you do not want to leave thes rates to the railroad companies. So in that situation I ask, Wha are we going to do? We have to have somebody to whom you ca go to get these things corrected or else we will leave you at th mercy of the railroad companies.

Mr. FULLER. I say, coordinate your different departments in Wash ington and ask them to kindly cut out all special privileges.

Mr. COLLINS. How long have these special privileges been exist ing?

Mr. FULLER. I cited one that went into effect in June, 1918.

Mr. COLLINS. Well, but we had some before that. Not many inde pendent packers had grown up before we had the Interstate Com merce Commission?

Mr. FULLER. The small packer has made his progress since th Interstate Commerce Commission was created.

Mr. ANDERSON. I would like to mention the fact that the Federa Trade Commission, in its report, calls our attention to the ver great discrimination in freight rates to which you have referred.

Mr. FULLER. I notice that they touched it a little there gently.

Mr. ANDERSON. Well, it seems to me that they went into it quit a little. Of course, they had a great deal of ground to cover. Mr Chairman, I will ask to insert the Federal Trade Commission's re port on the application of freight rates to the independents in connection with Mr. Fuller's testimony.

The CHAIRMAN. Without objection, it will be so ordered. [After a pause.] The Chair hears no objection, and it is so ordered.

(The portion of the report of the Federal Trade Commission re ferred to by Mr. Anderson is here printed in full in the record, as follows:)

FREIGHT RATES AND THE INDEPENDENTS.

Inasmuch as all country buying prices are based on the stockyards marke it makes little difference to producers, outside of the advantages just men tioned, whether they sell their live stock to country buyers or through a cen tralized market. Producers are influenced differently by the different factors involved, so that some sell to concentration stations or to the country buying independent packers while others in the same community ship to the stock yards markets. As between the independent packers located in the country buying territory and the big packers operating concentration stations the advantages are not as equal. On account of the way in which the railroad tariffs have been made, the concentration stations enjoy an advantage over the independents located in the corn belt, who depend mainly on country buying for their animals. Stock sent to the transit point is always for a destination more distant than the transit station. On this class of shipment most of the railroads grant through rates from the point of origin to the ultimate destination, the transit point being considered a "stop-over" place. The following

taken from the public tariff of the Chicago, Milwaukee & St. Paul Railroad, covers provisions of one station in Iowa and one station on the Mississippi River in Illinois, and is a typical regulation:

1. Rates to and from transit station:

A. Rate into the transit station will be the current rate of tariff, point of origin to such station.

B. Rate from the transit station to transit destination will be the difference between this rate collected to the transit station and the rate, point of origin to transit destination in force on date of shipment from point of origin, as shown on freight bills surrendered.

Of the total freight rate thus paid the shipper to the concentration station is required to pay only the proportional rate from the point where he loads his stock to the transit station. This being prorated part of the long haul, it is naturally less than the local rate on the short haul over that same distance. On the shipment to the local packing house, however, it is necessary to pay local rate. This fact necessitates the local packing house paying more for the hogs than the transit station by the difference between the freight rate which the shipper would have to pay to the concentration station and that which he would need pay to the local packing house. If the same price were offered by the two buyers the producer would naturally send to the concentration station to secure the advantage of less freight charges.

The big packer system of concentration stations is favored by the fact that parts of this mid-western territory are divided into large rate zones; that is, there are districts all points of which have the same rate to Chicago. Chicago is the point where rates east and west "break"; that is, the through rate west to east equals the sum of the rate to Chicago and the rate from Chicago on to eastern destinations. When the transit station is situated in the same rate zone as the point of origin—that is, when the point of origin and the transit station both take the same rate to destination—the charges to the transit station will be entirely absorbed.

One of the principal concentration stations of Swift & Co. is at Valley Junction, Iowa, from which it shipped over 275,000 hogs to its eastern plants in 1916. This transit point is in the blanket rate territory. The blanket rate territory affecting Valley Junction on the Chicago, Rock Island & Pacific Railroad includes over half of the area of the State. The loading points specifically mentioned in the Chicago, Rock Island & Pacific tariff as taking the same rates to Chicago as does Valley Junction extend further north than Mason City, Iowa, where is located the Jacob Decker & Son, independent packing plant; as far to the west as Omaha and southwest as far as Leavenworth and Kansas City.

How the tariff rates in this territory affect an independent competitor may be illustrated in the following way: Valley Junction is 6 miles from Des Moines. The Iowa Packing Co. at Des Moines has to pay the local freight rate of 10.8 cents per 100 pounds on hogs shipped to it from Griswold, Iowa. The rate from Griswold to Swift's New England plants is the same as the rate from Valley Junction to these plants, so that the shipper at Griswold is charged no freight by the Swift buyer at Valley Junction, while the independent packer must pay the local rate to Des Moines or offer a Griswold shipper a price enough higher to offset the freight.

The following letters which passed between G. F. Swift, jr., and A. R. Fay, transportation manager of Swift & Co., indicate that Swift & Co. has been successful in securing from the railroads favorable rates and other concessions for its large Valley Junction concentration station:

"CHICAGO, *May 17, 1916.*

"Mr. A. R. FAY,
"*First floor.*

"I would like the history of our New England packing companies' country buying, say, in the last 10 years. What new points have we established and give the dates, and when we established Keithsburg or any others did we discontinue one in the place of it, or how many more have we now than we had 10 years ago?

"Would like information to-day.

"Please reply.

"G. F. SWIFT, Jr."

"CHICAGO, *May 17, 1916.*

"Mr. G. F. SWIFT, Jr.,
"*Second floor.*

"Answering your letter of this date I can not give you definite answer as to what country buying points were being operated exactly 10 years ago. The matter is so old that our files showing the information are either destroyed or not available. I will give you a short history of the matter, as I remember it.

"The time Mr. E. C. Swift bought Squire I think they were buying some hogs at Valley Junction and Burlington. The stockyards at Valley Junction were very dilapidated and the territory from which hogs could be shipped into Valley Junction and sold was very limited, account of the rate adjustment. When we took hold of the traffic end of the Squire Co. we had the Rock Island rebuild the stockyards at Valley Junction, at an expense of about $30,000, and we had the rates into Valley Junction adjusted so that they largely increased the territory available for shipment to Valley Junction. At Burlington we had the C. B. & Q. rebuild the yards to some extent, but not nearly as large a job as at Valley Junction.

"The first station that we obtained for Squire, in addition to the above two, was Savanna, Ill., on the C., M. & St. P. We made this arrangement and had these stockyards partially rebuilt. I think the next one we made was Muscatine, and we had the Rock Island entirely rebuild the yards, and we also had the rates adjusted so that Muscatine could draw from a large territory. The next station we arranged was Keithsburg, Ill., on the M. & St. L. These yards, as you know, we have struggled with ever since we have been doing business there; but owing to the M. & St. L. being short of money we haven't had as much improvement made in the yards as we wanted to; but they are in a good deal better shape than when Squire started buying there. The next station, and the last one we arranged for, was Clinton, Iowa, on the C. & N. W. These yards we had the C. & N. W. cover a number of pens and pave the alleys and pens and put in a storage house for grain and for bedding.

"We did not discontinue any station when we started Keithsburg.

"I can not tell definitely how many more stations we have now than we had 10 years ago, but I should guess 10 years ago Squire was operating Valley Junction, Burlington, and Savanna. Since that time we have had Muscatine, Keithsburg, and Clinton. So on this basis Squire is operating three more stations now than they were 10 years ago.

"The department is searching for the old files and Mr. Frederick tells me that he does not think there are any of them in existence; but if I can get more definite information on this subject, I will do so and send it up to you later in the day or to-morrow.

"A. R. F.—B.,
"*Transportation Department.*

"P. S.—Please understand that our arrangements for this country buying are not exclusive. Anybody that wants to do so can buy hogs under exactly the same conditions as J. P. Squire & Co. can; but so far no one has tried to avail themselves of this privilege. We do not lease the yards, but have certain pens assigned to the use of the Squire people—but with the understanding that if the rest of the yards are crowded, that these pens assigned to the Squire people may be used by the railroad for the commercial business."

This letter indicates that the freight rate is of great importance in successful country buying. These tariff arrangements have been attacked by the live-stock commission men as unfair and unduly discriminatory. Independent packers in Iowa have at times complained of the advantage granted the big packers by these tariff arrangements. A case was brought before the Interstate Commerce Commission in 1916. While this case was pending A. R. Fay wrote to G. F. Swift, jr., as follows:

"CHICAGO, *October 27, 1916.*

"Mr. G. F. SWIFT, *Jr.*,
"*Second Floor.*

"Talked with Vice President Burnham, of the Burlington, in regard to I. C. C. Docket No. 9169, which we talked of to you this morning. Mr. Burnham replied right off the bat that it was not the intention of the roads to make any defense, but to simply make the statement of what their practices were and to say that they were covered by tariff. When I told him we wanted the railroads to make a defense he said that was different, and they would have to consider the

matter, and that he would take it up with the other roads and let me know Monday whether they would act for themselves or whether they would handle through one lawyer and le me know Monday what they decided in the way of handling.

"Will let you know what further I hear from him Monday or Tuesday.

"A. R. FAY.

"Copy to R. C. McM., R. D. R."

This letter clearly shows the desire of Swift & Co. to continue the then existing arrangements with the railroads. A decision was handed down in this case on November 30, 1917, which held "that the evidence fails to show that the rules complained of are unjustly discriminatory as alleged. Complaints dismissed." J. P. Squires & Co., Cudahy Bros. Co., and the following railroads defended the case: Chicago & North Western; Minneapolis & St. Louis; Chicago, Milwaukee & St. Paul; Chicago, Burlington & Quincy.

The CHAIRMAN. Mr. Tincher, have you any questions?

Mr. TINCHER. Mr. Fuller, as I understand you, before the creation of the Interstate Commerce Commission the discrimination in freight rates made it practically impossible for the independent packer to exist?

Mr. FULLER. That is my impression; yes, sir. In fact, that is my experience in the way of rebates, largely.

Mr. TINCHER. After the establishment of the Interstate Commerce Commission there were a number of years when freight rates were so adjusted that the independent packer could go along?

Mr. FULLER. Yes, sir; freight rates gradually became more equitable.

Mr. TINCHER. Then during the war, when the Government took over the railroads, the Railroad Administration arbitrarily fixed a rate that you are very much dissatisfied with?

Mr. FULLER. Yes, sir; in 1918.

Mr. TINCHER. And you are now facing a deficit in your own company?

Mr. FULLER. I am not only facing a deficit but I actually have a deficit. But I do not want to lay that deficit against this railroad rate.

Mr. TINCHER. Well a discrimination against you of 2 cents a pound in your meat products would have a tendency to create a deficit, wouldn't it?

Mr. FULLER. Yes, sir; it has a bearing on it. It is 8 cents a hundred pounds.

Mr. TINCHER. Your remedy then is to get the Interstate Commerce Commission to correct that rate?

Mr. FULLER. Yes, sir.

Mr. TINCHER. And your criticism is that it will cost you $25,000 or $30,000 to get a hearing and to get the relief that you feel you are entitled to in the matter of that rate?

Mr. FULLER. Well, my criticism is not only the cost involved but the length of time required to get action.

Mr. TINCHER. Also length of time is involved?

Mr. FULLER. Yes, sir; and probably more in the length of time involved.

Mr. TINCHER. You understand that we have three branches of Government, and I am trying to get at what you want us to do on the matter of coordination of the branches of the Government or the departments of the Government. There is the lawmaking branch, the

judiciary, and the executive branch. Certain executive powers are of necessity vested in certain men, and your criticism is as to execution, I understand you?

Mr. FULLER. Practically speaking; yes, sir.

Mr. TINCHER. And it is unfortunate in the case of an institution of your kind if you can not get a hearing and can not get relief from any branch of our Government without that expense and loss of time. That situation would deter a man of ordinary means from having a hearing.

Mr. FULLER. I want to say that I can get a hearing before the Department of Agriculture without it costing me $25,000, and I do not see why we should not get a hearing at the hands of the Interstate Commerce Commission without a cost and delay.

Mr. TINCHER. Now, Mr. Fuller, what the legislative branch of the Government would like to do is to make that matter so simple, not only for you in the case of your packing plant in the State of Iowa, but for the man who has a butcher shop or a slaughterhouse, no matter how small he may be, so that you and he may have a prompt hearing at the minimum of expense. The legislative branch of the Government wants you to have a fair deal, and our thought is that you and he should not be compelled to spend any such sum of money as that to get fair treatment from the Government.

Mr. FULLER. No, sir.

Mr. TINCHER. Of course, it is apparent to you, I suppose, that any new branch of legislation that we start on by way of creating a commission is bound to have its disadvantages to a certain extent, along with advantages.

Mr. FULLER. Yes, sir.

Mr. TINCHER. But the more direct knowledge and the more thorough the information that a person has who is intrusted with executing a law, no matter whether pertaining to the packers or to any other business, the simpler the matter will become. Isn't that true?

Mr. FULLER. That is very true.

Mr. TINCHER. If the present railroad law does provide that the railroad companies are to furnish refrigerator cars—and the evil of the refrigerator car as a matter complained of has never been so much that they were packer owned as that the packers controlled all of the refrigerator cars or to such an extent that the independent packer could not use them, or that the average man could not have the use of a refrigerator car; isn't that it?

Mr. FULLER. That is not my understanding of it. I think you are mistaken.

Mr. TINCHER. If the railroad companies had to furnish refrigerator cars, so that I may have one if I want it, and so that Tom, Dick, and Harry can have one if they want it, I take it that probably there would be no objection to the packer having his refrigerator cars, would there?

Mr. FULLER. I do not think there is any objection to it.

Mr. TINCHER. But there would be objection to the packers having all of them, or a sufficient number of them to control them?

Mr. FULLER. Yes; there would be, but there has never been a time when they did control them.

Mr. TINCHER. Isn't that really the situation now?

Mr. FULLER. No, sir.

Mr. TINCHER. I understood your testimony to that effect.

Mr. FULLER. No, sir.

Mr. TINCHER. They have about 93 per cent of the refrigerator cars, haven't they?

Mr. FULLER. I do not know as to that.

Mr. TINCHER. And, if I understand you, your position toward the other 7 per cent of the refrigerator cars is that they are unfit to use—that is, that they are not fit for ordinary use that a packer would have for them or any man handling fresh meat would have for a refrigerator car?

Mr. FULLER. My position is this: That the refrigerator car is absolutely necessary and essential to the packer, and that the packer who really requires refrigerator cars can not obtain a suppy of them himself, as is proven in my own experience. I have obtained since war conditions have let up, lately, 50 refrigerator cars, and a few months afterwards I obtained 50 more.

Mr. TINCHER. Mr. Fuller, it is a remarkable thing that before these legislative committees almost every man starts out with the proposition he is against a commission, and then somewhere along in his testimony, like you have done, he advocates some kind of commission for something else.

Mr. FULLER. Well, I do not know where I have advocated any commission.

Mr. TINCHER. I understood that you are in favor of a commission to investigate something.

Mr. FULLER. No; if I remember correctly, you asked me what I would think of a commission composed of so-and-so.

Mr. TINCHER. No; Mr. Riddick asked you those questions.

Mr. FULLER. Oh; excuse me.

Mr. TINCHER. In answer to his questions, I understood you to favor a commission of three men to make some kind of investigations. Did I understand you aright?

Mr. FULLER. No; I do not think so.

Mr. TINCHER. A commission of three men to get some facts?

Mr. FULLER. I said I would not object to it. If there was a commission appointed to investigate whether the law is or is not being enforced, whether these special favors or unusual practices are going on, why then we would have a means of getting the information. But I would not have a commission to regulate the packers. The proposition here is to have the packing industry run by a commission. A commission that may be appointed to investigate railroad practices is not only going to investigate the packer, and to hit the packer, but it is going to investigate your milling industry. We do not read anything in the newspapers about the profit on flour; we do not hear anything about that, because we are packers; but if they were to investigate the milling in transit rate in the matter of grain, maybe they would find it is not very just.

Mr. TINCHER. I think I have read somewhere something about that.

Mr. FULLER. Yes, sir.

Mr. TINCHER. If you were going to appoint a commission what would be the use of appointing the commission to investigate without giving them some authority to correct any wrong that they might

locate? Or would it be your policy to have a commission investigate and report and then the Congress to pass a law, and possibly fix it so there could be no enforcement or any remedy obtained under the law without the expenditure of a large amount of money.

Mr. FULLER. No; if I favored the appointment of a commission I would appoint them with power to report back to this body, or back to whatever body is proper under our form of government.

Mr. TINCHER. You are reporting to this body now.

Mr. FULLER. This is an investigation of the packing industry.

Mr. TINCHER. No, no; this is not an investigation of the packers. Have you come here on the theory that the packers are being investigated?

Mr. FULLER. No; I come here with the theory that it is a hearing on a bill that is supposed to be passed to regulate the packers.

Mr. TINCHER. Yes, sir; to regulate the business.

Mr. FULLER. Yes, sir; to regulate the packing business. And I contend that a body of men or a commission or a department of the Government is not necessary if you will kindly see that other departments of the Government go out and enforce the laws that you already have.

Mr. TINCHER. Well, of course, that would prolong the argument. to take that up with you.

Mr. FULLER. That is the executive branch of the business; I contend that it is up to Washington to do its part.

Mr. TINCHER. Well, as I say, that would prolong our discussion. I take it that you are friendly or unfriendly to the consent decree, which?

Mr. FULLER. How is that?

Mr. TINCHER. I do not gather from your remarks whether you are friendly or unfriendly to the consent decree.

Mr. FULLER. Oh, I am both. I presume I am probably on the fence.

Mr. TINCHER. It does not affect you?

Mr. FULLER. I am willing to admit that I am selfish. I think I admitted in my statement that I am selfish where I cited a case where I am hit in Iowa. I am looking out for No. 1, the same as the big packer is doing. I do not blame him for taking all of the advantages that are given to him.

Mr. TINCHER. You do not blame him for having 2 cents a pound advantage over you?

Mr. FULLER. Not at all if he has it legally. If he has it illegally, then I do blame him.

Mr. TINCHER. The general public and the producing public are entitled to have such laws that he will not have an advantage over you or any other independent packer.

Mr. FULLER. I agree with you absolutely on that.

Mr. TINCHER. Your position is that we have enough laws, but that we do not seem to have them enforced?

Mr. FULLER. My position is that we have such laws as are necessary, but that you do not enforce them. But you can enforce them.

Mr. TINCHER. Of course, as a Congressman, that falls on other shoulders, because we are not charged with nor have we the right to enforce laws. We legislate, but we do not execute.

Mr. FULLER. I do not mean to criticize any of you Congressmen.

Mr. TINCHER. There are some other members on this committee who possibly might disagree with you in the matter of law enforcement.

Mr. FULLER. I believe in the producer absolutely, and my theory is that I can pay the producer a fair price.

Mr. GRAFF. Mr. Fuller, I would like to ask you if you brought this case you contemplate before the Interstate Commerce Commission, or your plan is to have corrected the differential, which you say is against you, who would likely be the opposers in that case before the commission?

Mr. FULLER. Heaven only knows. I do not know whether I would have the support of the large packer or the small packer, or the opposition of all. I believe I would have the support of the packers in Iowa.

Mr. GRAFF. I am not talking about who would be your supporters, but who would be your opposers in such a case?

Mr. FULLER. I think that in this specific case I speak of it is benefiting John T. Squire & Co., of Boston, so naturally I would be opposed by Swift & Co.

Mr. GRAFF. Certainly, and there you have the whole thing in a nutshell—the big packers.

Mr. FULLER. But can you blame Swift & Co. for taking something that is given to them. If you give it to me, I will take it. I do not blame them if they take advantage of a saving that you offer them.

Mr. WILSON. There are a lot of people in this room who wouldn't take it.

Mr. FULLER. Then I would like to have you give me an introduction to them.

Mr. WILSON. I would not like to give them a chance.

Mr. ANDERSON. I think you said you were formerly connected with Swift & Co.?

Mr. FULLER. Yes, sir; I went to work for Swift as a boy of 15.

Mr. ANDERSON. In what capacity?

Mr. FULLER. I was office boy, I think, to start with, or something of that kind.

Mr. ANDERSON. When you left their employ in what capacity were you engaged with them?

Mr. FULLER. Well, I presume I was classed among the executives. I had entire charge of the hog end of their business.

Mr. ANDERSON. You were connected with the National Packing Co. when it was organized?

Mr. FULLER. Shirtly after it was organized.

Mr. ANDERSON. In what capacity?

Mr. FULLER. As vice president, in charge of the pork end of the business.

Mr. ANDERSON. Were you a director in the National Packing Co.?

Mr. FULLER. Yes, sir.

Mr. ANDERSON. Were you present at any meetings at which the affairs of the National Packing Co. were discussed?

Mr. FULLER. I was present at a good many of the directors' meetings; yes, sir.

Mr. ANDERSON. Were you present at any directors' meetings at which the question of apportioning the supply of beef in "A" territory was discussed?

Mr. FULLER. No, sir.

Mr. ANDERSON. The National Packing Co., as I understand it, merged the interests of the Omaha Packing Co., G. H. Hammond Co., Hammond Packing Co., Anglo-American Provisions Co., Fowler Packing Co., and Stockyards Warehouse Co.?

Mr. FULLER. Well, there were more than that, I believe, of component parts of the National Packing Co.

Mr. ANDERSON. What others?

Mr. FULLER. There was a packing house in Canada. Have you got the Anglo-American Provision Co. in there?

Mr. ANDERSON. Yes; I included that.

Mr. FULLER. You want to remember that that was several years ago, and there are a multitude of details.

Mr. ANDERSON. I do not want to go into it, but I want to get their connection with the proposition.

Mr. FULLER. Well, my connection with the National Packing Co., of which Mr. Edward Tilden was president, and Mr. L. B. Patterson was a vice president in charge of beef, was that I was vice president in charge of pork or the hog end of the business.

Mr. ANDERSON. At any of those directors' meetings was the question of the determination of the cost of beef considered—arbitrary cost?

Mr. FULLER. No, sir.

Mr. ANDERSON. Was there any consideration of a uniform or standard cost as applied by all these packing companies?

Mr. FULLER. Not at any meeting at which I was present.

Mr. ANDERSON. You referred to Swift & Co.'s entry into St. Paul. While that was a good thing, you do not mean to give out the idea that it was entirely altruistic on their part?

Mr. FULLER. I should say that Swift & Co. are in business for profit, just like we are. We are trying to make an honest dollar, just as they are.

Mr. ANDERSON. Are you familiar with the way in which they went in there?

Mr. FULLER. Yes, sir; with the practical end of it.

Mr. ANDERSON. They received a bonus in stock in the stockyard company of about $1,000,000, as I recall?

Mr. FULLER. I said I was familiar with the practical end of the matter. I was not familiar with the financial arrangements Mr. Swift made when he went there.

Mr. ANDERSON. You do not know whether it is a fact that he received $1,000,000 in stock for going into the St. Paul stockyards?

Mr. FULLER. No; I do not know about that.

Mr. ANDERSON. I imagine that you do not know anything of your own knowledge of the manner in which Armour came into St. Paul?

Mr. FULLER. No; that is since my time.

Mr. ANDERSON. Do you handle cattle at your plant?

Mr. FULLER. Yes, sir; we kill about 60 cattle a day.

Mr. ANDERSON. That is not considered a very large run?

Mr. FULLER. No, sir; it is small.

Mr. ANDERSON. Iowa is one of the largest cattle-producing States in the United States, isn't it?

Mr. FULLER. Of good cattle.

Mr. ANDERSON. I think it is the second largest.

Mr. FULLER. I think it is.

Mr. ANDERSON. In view of that fact, why do not you handle more cattle than you do?

Mr. FULLER. Because I can not handle them at a profit; not high-grade cattle. I have not the facilities for merchandising the beef. I would require a capitalization of from $30,000,000 to $40,000,000 to get into the beef business in a first-class manner.

Mr. ANDERSON. You mean by that that you have not the branch houses and distributing machinery necessary to handle the beef business?

Mr. FULLER. Or the capital; yes, sir; that is what I mean. If you are going to distribute beef, you need branch houses to take care of the beef.

Mr. ANDERSON. Do you sell any of your products to other packers?

Mr. FULLER. I do occasionally.

Mr. ANDERSON. To what extent?

Mr. FULLER. Probably 1 per cent of my pork production. I occasionally sell some stuff to John Morrell & Co., of Ottumwa, Iowa. I might sell 500,000 pounds of lard on the board of trade, but when I sell it I may not know where it is going. It may go to Swift or to Armour or to somebody else.

Mr. ANDERSON. Did you sell any considerable part of your product to Morris & Co. in 1917 and 1918?

Mr. FULLER. No, sir; I have not sold any considerable portion of my product to any packer at any time, and I do not expect to. My plan of business is to merchandise my product and to get as close to the consumer as I can.

Mr. ANDERSON. Has your company paid any dividends?

Mr. FULLER. We paid one dividend of 3½ per cent on the 1st of last July.

Mr. ANDERSON. You referred in your answer to a question to the packers going into the grocery business. As a matter of commercial practice, if one of the large packers went into the grocery business to a considerable extent that would eventually force them all to go into the grocery business, wouldn't it?

Mr. FULLER. I do not think so. I am not in the grocery business myself, in what you call the side lines. There is only one advantage in being in the side lines, according to my experience, and that is that it increases your volume and reduces the percentage of cost of your sales.

Mr. ANDERSON. Of course you would not have the advantage there that the big packer has, because you have not the distributing machinery which would be operated at a maximum volume to reduce cost?

Mr. FULLER. I would have the same advantage in proportion to my business that he has.

Mr. ANDERSON. I doubt that very much.

Mr. FULLER. Well, I do not. I conduct my business on the same basis as the big packer. It is not as large, but it has shown a fairly

good growth. If you will notice we have done practically $12,000,000 worth of business and have been in business only two years. Swift & Co. was in business a great deal longer than that before they did that much business. My business is mapped out on the same plan as that of the large packer. I run car routes and maintain salesmen.

Mr. ANDERSON. Do you sell direct to retailers or to jobbers?

Mr. FULLER. Ninety per cent of my business is direct to the retailer. Very few goods go to the jobber to-day for the reason that the jobber will not handle them on a reasonable margin; and he can not afford to handle them on what might be termed a reasonable margin because it costs him too much to do business.

Mr. ANDERSON. I do not want to pry into your business.

Mr. FULLER. I am glad to tell you anything about my business. There is nothing secret about it.

Mr. ANDERSON. I am interested in the economic side of this matter.

Mr. FULLER. Some people think there is something mysterious about the packing business, and that packers can make money anyhow. I have been in it all my life and I want to say that I can not find any such secret.

Mr. ANDERSON. What is the average haul in the distribution of your product?

Mr. FULLER. I could not answer that question intelligently without compiling a lot of statistics. We are exporting a great deal of our products. That means that the haul is clear to the Pacific coast.

Mr. ANDERSON. Let me ask you this question: Is the selling end of your business established on the basis of national distribution or on the basis of local distribution?

Mr. FULLER. Both. I have a department which looks after local business and Iowa business; and I have another department that looks after the distribution of my products outside of the State of Iowa. We ship stuff all over the United States. We do considerable business in the South, in the Southeast, in the East, but we do not do very much business North. And we do a large export business. We export our product not only to Great Britain but also to continental Europe. We are in competition with the large packer every day.

Mr. ANDERSON. Is any proportion of your business outside of a radius of 500 miles done at a loss?

Mr. FULLER. The nearer I can do business at home—at least that is my theory—I would rather do business in Des Moines, Iowa, than in Chicago—the nearer I can get to the consumer the more money I can command for my product. That is my theory. But theory does not always work out. At the present time the farther away I go to sell my goods the more money I can command out of them. At the present time the more product I can sell to Great Britain the more money I will make compared with selling it in the United States. So that any theory we start out with will not work all the time.

Mr. ANDERSON. Generally speaking, it has been your experience I take it that the more profitable business is the business within a reasonable radius of your location?

Mr. FULLER. Generally speaking, the nearer home the bigger the profit. The nearer home the business is done the less chance there is of deterioration of the goods, and deterioration means claims, and claims mean loss of money. The nearer you can get home in the di-

position of your product in the packing business the better the net returns.

Mr. ANDERSON. I have read something in the newspapers somewhere about the cost-plus basis of contract for export shipments; do you know anything about that?

Mr. FULLER. Yes, sir; I have read a lot about that, but it is an expression and not a reality.

Mr. ANDERSON. Well, if that is true we would like to know what it really is.

Mr. FULLER. Well, I would be glad to tell you what it is: The British Government, or, speaking more correctly, the British ministry of foods in the United States has made contracts with pretty nearly every packer of any repute in the United States for the production of what is known as Wiltshires, Cumberlands, and Longcut hams. The Wiltshires is the whole side of the hog with the foot and head cut off and trimmed up reasonably well on both ends and cured in salt and packed in boards. The Cumberland is the same piece of meat except cut in two, and you trim that up a little more. They have made various contracts with various packers based on cost of the hog, but it is not cost plus.

Mr. ANDERSON. Based on cost or what the packer paid for the hogs?

Mr. FULLER. Yes, sir; in other words, they make a schedule, and if I pay 12 cents for hogs they pay me so much for Wiltshires. The price is fixed but it is not cost plus. When you go to build a building at cost plus you take the cost of the material, labor, and everything and add a percentage. Now, in this matter I have not a vote in how much this stuff will cost; it is not within my province to add a cent a pound extra for labor on it and add that to the contract. That is the reason I am making the distinction between this contract and the ordinary contract known as the cost-plus contract. This contract sets the price of the hogs, and it sets the corresponding price on the products. There is no incentive for me to raise the cost of the hogs; in fact, the schedule I am working on would be an incentive for me to buy my hogs cheap. In addition to that——

Mr. ANDERSON (interposing). You mean by that that your margin is smaller between the price that you pay and the price that you get on the higher priced hogs than it is on the lower priced hogs?

Mr. FULLER. Yes, sir; it is. In addition to that the orders of the British Government, the orders which they are placing amount to something like 5 per cent of the receipts of hogs. In my case the orders which I have succeeded in obtaining from them will take about 20 per cent of my kill. If I tried to buy high in order to boost the price on the British I would be boosting the price on the other 80 per cent of the hogs that I kill. I just bring that out as an illustration of the situation, although I do not know what your idea was in asking the question.

Mr. ANDERSON. My idea was to get information for the benefit of some farmers who seem to think from the testimony or statements they have heard, and your testimony rather bears that out, that this sort of contract is to their disadvantage.

Mr. FULLER. Well, I do not believe that it is. In fact, I will say this, that if it were not for this contract to-day, and I make this

statement advisedly, your light hogs that are going into the English product would be selling at about the same price that heavy hogs are selling for to-day. Or, in other words, they would be selling for three-quarters of a cent a pound less than they are selling for. I consider that the British contract is a benefit to the producer of hogs in the State of Iowa.

Mr. ANDERSON. Is the margin established based upon the cost in your plant or based upon general cost figures?

Mr. FULLER. It is based on the Chicago cost, as a rule. As I say, the British ministry of food have contracts with a great many different packers, and they are not all alike. The principle is the same but there are variations that allow for different conditions at different places, but the principle of all the contracts is the same. It is not cost plus; it is a certain price fixed.

Mr. O'DONEL. They give you a margin over cost?

Mr. FULLER. There is a profit in the business.

Mr. O'DONEL. There is a profit in the business or you would not take it?

Mr. FULLER. Yes; there is a profit, whereas in the kill of hogs to-day for the domestic trade there is a loss, and if it were not for the British contracts the producer to-day would not be receiving as good a price as he is.

Mr. ANDERSON. Would you mind giving the committee the spread as provided in those contracts?

Mr. FULLER. I will be glad to send it to you. I have not got it with me.

Mr. ANDERSON. I think it would throw a good deal of light on the question that has been agitated a good deal, and that I have been thinking of to a considerable extent.

Mr. FULLER. I am going from here to New York, and I will see the British comptroller of foods about it. I would not want to violate their confidence, but I believe it will be satisfactory to them to let me furnish you with a copy of my contract. And unless there is objection on their part I will be glad to do it.

Mr. ANDERSON. The committee does not want you to violate any confidence, nor to make public any contract with the British ministry of food, except with their permission. But the committee would be glad for you to furnish that information if it may be done.

Mr. FULLER. All right. That is the only thing that would deter me from furnishing it, and I will be glad to furnish it if they do not make objection.

(The following letter was later received by the chairman, and having reference to the matter under discussion at this point was ordered here inserted in the record by the committee. See report of hearings for Mar. 11.)

NEW YORK, *March 8, 1918.*

Mr. GILBERT N. HAUGEN,
Chairman Committee of Agriculture, House of Representatives,
Washington, D. C.

DEAR SIR: We have been asked by Mr. Fuller, of Des Moines, Iowa, to explain to you our present system of buying bacon in this country.

Our requirements at present average about 5,000 tons per week from the United States, perhaps 6,000 tons occasionally. We take the bulk of this in full sides from hogs averaging 170 to 240 pounds live weight.

Our contracts are divided up against 30 packers, none getting as much as they want, but all getting a fair share. The price to be paid by us f. a. s. New

York is based on the weekly average price paid for hogs in the Chicago or other primary markets.

This scheme was worked out in a fairly satisfactory manner, we being satisfied to take our proportion of each packer's buying of hogs at the average price paid for suitable hogs, plus a fair margin of profit to the packer for the service he has rendered. The differential varies according to the location of the packer's plant and the general outturn of his goods.

We reckon that at present we are taking somewhere between 5 and 7 per cent of the total hogs killed. This proportion will gradually become smaller as shipments from Denmark and other countries to England increase.

From the buyer's point of view we would like to stress two points:

1. There should be closer cooperation between packers and farmer, whereby the latter will be encouraged to produce and market hogs weighing around 200 pounds. Up to this weight less corn is used in proportion than when hogs weigh up to 300 pounds. In other words, it takes less to produce a pound of meat on a hog weighing the former than when he weighs the latter.

In Denmark where nearly all factories are run on the cooperative principle, farmers are heavily penalized by their own committees if they ship into the factory hogs weighing over 240 pounds.

2. More attention should be paid by the authorities to transport facilities. In our opinion if proper refrigerator accommodations in steamers could be provided and less delay not only in getting the goods to the port, but at the port itself, it might be possible to ship the bulk of American bacon and hams to England without the use of borax. This would mean that American bacon in England would have a better chance in competition with continental goods and would do a good deal toward benefiting the producer.

These are two points which have been pressed on our attention during our experience in handling this product.

Yours, very truly,

BRITISH MINISTRY OF FOOD IN U. S. A. (PROVISIONS SECTION),
ROBERT GRAHAM, *Chairman.*

Mr. SYKES. In regard to those cost-plus contracts, why is it that the packing institutions in giving out their reports frequently refer to the price as cost plus? It has been a mystery to the producer as to what that cost plus meant.

Mr. FULLER. Well, I have tried to explain what this expression means, which seems to cover cost which is fixed. It was a phrase that was used inadvisedly, I think.

Mr. ANDREWS. It is cost plus a fixed margin, while the cost-plus contracts that we have heard so much about during the war is cost plus a fixed amount. Instead of cost plus a fixed percentage, as in the case of construction contracts, this is cost plus a fixed margin. In the construction contracts, where it was cost plus a fixed percentage or sliding percentage, the more the material cost and the more the price of that material, the larger the contractor's profit. As I understand it, under the contract that you have with the British ministry of food the margin is a fixed amount and not a fixed percentage?

Mr. FULLER. It is a fixed amount. In other words, to correct your idea of the contract, it is really a contract at a stated price governed by the cost of the hogs. When you take a cost-plus contract a buyer has no idea what it will cost him. In this case of the cost-plus contract, so-called, made by the British ministry of food, the British food controller can tell on Monday what his goods cost that were made the week before.

Mr. COLLINS. If the hogs they had to buy cost a certain price, then you submit that to them, what the hogs cost?

Mr. FULLER. After they are bought, each Monday or on Tuesday in some cases, but ordinarily each Monday, the British ministry of food knows what the product killed the week before cost them.

Mr. SYKES. And they take the average cost?

Mr. FULLER. Yes, sir; the average cost of hogs for the week.

Mr. COLLINS. I saw a few days ago in a dispatch from London where the food administrator of England was telling the people there what kind of contract he had made with the American packers. He rather assured them that they were not getting robbed, that he had made a contract on the basis of cost plus.

Mr. FULLER. Well, that is the expresion that is used but there is that difference that I have pointed out. I am not leading you astray on it, gentlemen, because I know of my own personal knowledge about that contract, and that the contract with every packer in the United States has been made on that same basis.

Mr. SYKES. Would you mind telling this committee about what those hogs cost at the time you made that contract? That is, hogs on the hoof, when you started in with the contract, what your hogs cost you then, or what they were selling for?

Mr. FULLER. These contracts started in at various times with the various packers. The first contract I made with them, if I remember correctly, was when my light lights, hogs, cost 14 cents in Des Moines. That would be 14½ cents or 14¾ cents in Chicago.

Mr. SYKES. You did not make any contract when hogs were selling around 20 cents?

Mr. FULLER. When hogs were 20 to 23 cents we made none of these contracts. We made the first one only last fall, possibly in October or November.

Mr. SYKES. At that time the Chicago price was about $18 on top hogs?

Mr. FULLER. At the time those contracts were made?

Mr. SYKES. Yes.

Mr. FULLER. No, sir.

Mr. SYKES. Then they were not made in October.

Mr. FULLER. I said in October or November. I do not want to mislead you. I know they were made late in the fall or early in the winter. At the time hogs were selling around 20 cents and 23½ cents in the United States they did not have food control in England, and we could deal direct with the English buyer. Food control in England was reimposed on August 9, and that reimposition of food control prevented the packer doing any export business for nearly 90 days. It absolutely destroyed the outlet we had for food products that we had on hand, and that combined with several other causes accounted for the drastic decline you had in hogs late last summer and early in the fall. We had our hands tied. We could not sell our products that we had put down for England, and there was no way that we could convert it into money.

The CHAIRMAN. Mr. Voigt. Do you wish to ask any questions?

Mr. VOIGT. Mr. Fuller, you spoke about the railroad rates being discriminatory in your business awhile ago. Did you make any effort to have that rate changed?

Mr. FULLER. We have made an attempt; yes, sir.

Mr. VOIGT. What makes you think that it will cost you $25,000 to apply to the Interstate Commerce Commission to have this rate changed?

Mr. FULLER. Well, I did not mean to infer that it would cost me $25,000 to apply; I meant that if I succeeded in getting the rate

changed it would likely cost me somewhere in the neighborhood of from $20,000 to $25,000 to follow this case through to the conclusion.

Mr. VOIGT. What do you base that on?

Mr. FULLER. I base it on past experience.

Mr. VOIGT. Has it ever cost you anywhere near that amount to have a rate changed?

Mr. FULLER. Me personally?

Mr. VOIGT. Yes; or your company.

Mr. FULLER. No, sir; it never has, because since I have been in business in Des Moines I have not made application for a change. Here is what I would have to do, or at least this is what I am advised I will have to do: To get a first-class traffic man and also a first-class lawyer to handle the case. And I am also advised that it will take from six to nine months before we could get a hearing of the case.

Mr. VOIGT. Well, I imagine it would take you some time for a hearing.

Mr. FULLER. Yes, sir. The reason I say it will cost from $20,000 to $25,000 to conduct this matter through to a conclusion is that when it is taken up with the Interstate Commerce Commission we will have to thrash out a great many other things that have a bearing on this rate; probably the rate to the Missouri River will come in, and the rate from the Missouri River east will be taken into consideration. And every packer in the United States will be represented at the hearing. There is a vast amount of detail to take up. And I am free to confess that I am not sufficiently expert in traffic matters to talk about this intelligently or to present the matter in the way that it would have to be presented to get results.

Mr. VOIGT. It is my judgment that you could get a matter of that kind handled by competent people for $500 or less.

Mr. FULLER. Well, I will gladly give any man $5,000 who will agree to handle it and stand all necessary expense. But I want a competent man; I do not want a man that the other fellow runs rings around.

Mr. VOIGT. I do not want the impression left by your testimony that it takes $25,000 to get rates changed by the Interstate Commerce Commission where there is just cause for a change.

Mr. FULLER. And I do not want to leave that impression. I would like to leave this impression, that this matter I am referring to is of such importance, and has such a bearing on live stock, fresh meats, and packing-house products, and all the ramifications that an adjustment of this rate will require a great amount of time and a very considerable ability to present it before the Interstate Commerce Commission in the form that it should be presented, and that means a long hearing.

Mr. VOIGT. If you have a just case, do not you think the experts of the Interstate Commerce Commission would investigate the matter without any cost to you?

Mr. FULLER. I do not believe that they will investigate it unless I have a competent man to explain to them and to show to their satisfaction not only the effect that it has on me but upon others. Now, I think I have a just case; in fact, I feel sure of it.

Mr. VOIGT. From what you know of the situation yourself you are able to make that explanation, are you not?

Mr. FULLER. Probably. On the contrary, they will ask: What effect does this have on such and such a rate in Chicago? What effect does it have on some other rates in New York State? What effect does it have on rates in New England? I am not able to present or properly argue those points. I say that I think my position is just; in fact, I am quite sure of it. But Swift & Co., who are interested on the other side, would possibly say that they think their position is just. Now, what would be the situation? They have very competent traffic men, and have numerous attorneys of good repute and ability, and in order to get my case presented as well as theirs I have got to go to quite a large expense.

I do not mean for one moment by my testimony to cast any reflection upon the procedure or the work of the Interstate Commerce Commission. I merely cited this as an illustration of the difficulties under which I am working. I am confident I have a just case, but it is a case that will require a great deal of thought and I am free to confess I do not believe I am competent to decide just exactly what would be right on it.

Mr. VOIGT. I have heard what you have had to say about it, and I will say that it is my judgment that you can get all the assistance that you would need in a case of that kind for less than $500.

Mr. FULLER. Well, I will be very grateful, indeed, to you if you will give me the man's name who will take it for that, and I will be glad to employ him.

Mr. COLLINS. We have now what is called the Protective Shippers' League, and Joe Mercer, of Kansas, is president, and Sam Cowan, of Texas, is counsel, and Clifford Thorne, of Iowa, is assistant counsel. While that Protective Shippers' League is more particularly organized to protect live-stock rates, and they charge at all stockyards throughout the country 5 cents a car, and the State of Iowa is paying a lot of money on that in Chicago—in fact, they pay the principal part of it, I think.

Mr. SYKES. A good deal of it, anyhow.

Mr. COLLINS. I am satisfied if you have any such discrimination in rates that Clifford Thorne and Sam Cowan would take that up for nothing. Have you ever spoken to Mr. Thorne, of Iowa?

Mr. FULLER. Well, I do not think that Clifford Thorne will go out of his way to assist me in that matter. We have quite a competent railroad man on tariff matters in Des Moines.

Mr. COLLINS. I am free to say that if you will take it up with Mr. Mercer as the president of the league I believe he will be glad to do something about it.

Mr. FULLER. You must remember that there are a great many ramifications, and you as a live-stock shipper may go in and take the position that I am wrong in my stand. My position affects the live-stock rates as well as the packing-house rates. I do not know what position the live-stock shipper may take. He may say the fact that I can ship 150 miles to a junction point near Des Moines and pay no freight on it is a benefit to me, and he may want to keep it. There are lots of sides to this question.

Mr. VOIGT. Why, certainly; the different interests involved will have a lot to say about it.

Mr. FULLER. Sure.

Mr. VOIGT. I do not want anybody to be under the impression that it would cost $25,000 to get a hearing before the Interstate Commerce Commission.

Mr. FULLER. And I do not want to leave that impression. I know that I can get a hearing for practically nothing, but in this case, to follow it through to a conclusion, it would probably cost that amount.

Mr. VOIGT. Well, I mean to properly present your case.

Now, Mr. Fuller, do you at the present time own any refrigerator cars?

Mr. FULLER. We lease refrigerator cars.

Mr. VOIGT. From whom?

Mr. FULLER. From Marsh Refrigerator Service Co., of Milwaukee.

Mr. VOIGT. And they own these cars?

Mr. FULLER. Yes, sir.

Mr. VOIGT. What is your idea about the propriety of allowing individual companies to own refrigerator cars?

Mr. FULLER. I see no objection to it.

Mr. VOIGT. Do you think it would be a good thing for the country if the packers owned the cattle cars or the freight cars used in transportation in this country?

Mr. FULLER. They do own some of the cattle cars used in this country, the packers do.

Mr. VOIGT. But do you think it would be a good idea for them to own 90 per cent of them?

Mr. FULLER. No; I do not.

Mr. VOIGT. Why do you make any distinction in principle between cattle cars and refrigerator cars?

Mr. FULLER. For two reasons: First, the packers do not own 90 per cent of the refrigerator cars, and second, the equipment of a refrigerator car is entirely different from the equipment of a cattle car. The ordinary cattle car can be kept in condition so as to transport cattle with very little repairs, while a refrigerator car can not.

Mr. VOIGT. Your theory is that if the refrigerator cars were controlled and owned by the railroads, they would not be kept in proper condition?

Mr. FULLER. That is not my theory, but it is because of the fact that they have not done so in years gone by. Previous to the war they did not keep them in proper condition.

Mr. VOIGT. Well, assuming that a law should be passed compelling railroad companies to own refrigerator cars, and separating other interests from them, do not you think that the Interstate Commerce Commission or some other commission could issue orders that would compel the railroads to keep the refrigerator cars in proper condition?

Mr. FULLER. I do. But at the same time I do not believe from an economic standpoint that the railroads can supply a sufficient quantity of refrigerator cars to meet the needs; the cost would be way beyond what it is now.

Now, gentlemen of the committee, let me explain that there is no advantage, to my mind, to the packer in owning these refrigerator cars with two exceptions: (1) That he is assured of a supply of refrigerators cars in first-class condition whenever needed; and (2) that it insures him the delivery of his product at destination in first-class order.

These cars are operated and run by the packers at a loss. If the railroads would guarantee to supply me with first-class refrigerator cars, as many as I want any day, I would say I would be tickled to death.

Mr. VOIGT. Let us go into that a little further: Your objection is that the railroads can not maintain refrigerator cars in good condition. You will admit that that can be obviated by proper regulation?

Mr. FULLER. I admit that that can be done, that they can maintain them if they want to maintain them, absolutely so; yes.

Mr. VOIGT. Well, that takes care of that objection. Your further point is that the packers operate refrigerator cars at a loss is taken care of by the fact that that loss, whatever it may be, is paid by the consuming public; isn't that true?

Mr. FULLER. No; I do not know that it is paid by the consuming public, or whether it is paid by the producer, or whether it is paid by the stockholder. It has to come out of one of those three.

Mr. VOIGT. Taking a broad view of it, it comes out of the people of the country in some form?

Mr. FULLER. Yes, sir; absolutely any economic loss comes out of the public.

Mr. VOIGT. Now, whether the packers charge that loss on their books, or whether the railroad companies would charge an additional fee for furnishing the refrigerator cars in proper condition, would, in the end, not amount to a penny's difference to the people of this country, would it?

Mr. FULLER. Not to a penny's difference, did you say?

Mr. VOIGT. It would not amount to any difference.

Mr. FULLER. No; it is immaterial.

Mr. VOIGT. So, then that argument, so far as the general interest of the public is concerned, does not amount to anything?

Mr. FULLER. It does in this way, that the cost of maintaining these refrigerator cars by a railroad would be greater than the cost of maintenance by the packer, and for this reason: That the packer can keep in touch with these conditions of his business more closely. As I say, he has got to maintain a surplus of these cars to be ready for any demand. As an illustration, suppose if a packer in Chicago——

Mr. VOIGT (interposing). We concede that, and let us not waste any time on it. Your point is that the packer can operate a refrigerator car cheaper than a railroad company can?

Mr. FULLER. Yes, sir; as far as keeping a supply of them is concerned.

Mr. VOIGT. You also say that the packer operates his cars at a loss.

Mr. FULLER. Yes, sir.

Mr. VOIGT. Now, if he does, he makes up for that loss on some other end of his business?

Mr. FULLER. He does.

Mr. VOIGT. He must.

Mr. FULLER. Not always.

Mr. VOIGT. The Big Five packers have not shown any loss in doing business?

Mr. FULLER. I know when the Big Five have shown a loss.

Mr. VOIGT. In an individual year perhaps?

Mr. FULLER. Yes; certainly.

Mr. VOIGT. I mean taking their business as a whole they have lost no money?

Mr. FULLER. No; they have shown a profit.
Mr. VOIGT. And they have shown an extraordinary profit?
Mr. FULLER. No; I do not think so.
Mr. VOIGT. You do not think so?
Mr. FULLER. No.
Mr. VOIGT. Have you looked into the profits of the packers for the last seven or eight years?
Mr. FULLER. Yes; I have looked into them for the last 30 years.
Mr. VOIGT. And you do not think that they are extraordinary?
Mr. FULLER. No, sir.
Mr. VOIGT. Well, I differ with you on that proposition.
Mr. FULLER. Well, I certainly do not think they are extraordinary. They do not make them extraordinary; if they did, I would grow too fast.
Mr. VOIGT. Do you object to any legislation such as is here proposed, do I understand you to say?
Mr. FULLER. Oh, I would not be as broad as that. I am not against legislation. What I would like would be for the Congress to pass a law which, in their judgment, will be a benefit to the country. Do not pass something that is going to bring out a lot of rules and regulations that can be changed at the whim of one man or body of men; pass a law and have it in plain language, so I will know where I am at.
Mr. VOIGT. Well, that is a very broad statement. Let me ask you this question: Do you know of any business practice which is engaged in by the five packers, or any one or more of them, which you consider to be detrimental to the public interest?
Mr. FULLER. Do you mean of my own knowledge?
Mr. VOIGT. Well, of your own suspicions, either way.
Mr. FULLER. Well, I sometimes imagine that possibly there are some things that they are doing that are not altruistic or something of that kind. But the point I am trying to bring out is that the growth of the large packer and the advantage that he has in competing with me is the advantage that is given to him by the Government. It is not an illegal or underhand advantage, but one allowed by the Government. I really think that from an economical standpoint the large packer is rendering a service to the United States, and that he has done so in the last few years. I am not going back in the past and trying to defend him, but I think that is the situation.
Mr. VOIGT. You are not answering my question. I will try to pin you down to this point and will ask you either to answer it or to say that you can not answer it.
Mr. FULLER. I do not want to evade your question.
Mr. VOIGT. I will ask you whether you know of any business practice that is engaged in by any of the five packers, or any one or more of them, which, in your judgment, is contrary to the public interest; do you know of any such thing?
Mr. FULLER. I do not know of anything of my own personal knowledge. There is an allegation made by the Federal Trade Commission that I believe, if true, is not to the public interests. Now, as I say, if that allegation is true, I think the packer ought to be prosecuted.

Mr. VOIGT. Well, let me ask you this: Do you believe that the packers are engaged in any such business practices; have you any belief on that subject?

Mr. FULLER. I will say this, that there are indications that they are, as to whether I really believe it or not, I do not know. I would like to see it thrashed out in court to see whether there is any such thing or not.

Mr. VOIGT. You say there are indications?

Mr. FULLER. Yes, sir.

Mr. VOIGT. You have no opinion on the subject?

Mr. FULLER. I do not know enough about it to form a belief. I have tried to keep an open mind on it. I believe the Federal Trade Commission makes the allegation that the percentage of cattle and the percentage of hogs is divided.

Mr. VOIGT. Let us cut out the Federal Trade Commission. I am trying to find out what is the state of your mind.

Mr. FULLER. Well, that is the state of my mind. I am open to conviction.

Mr. VOIGT. So far as the state of your mind is concerned, you know nothing against the packers and you have no belief on the subject of any matter that is contrary to the public interest?

Mr. FULLER. I do not know of anything that the packers are doing to-day that is an injury to the public.

Mr. VOIGT. If that is true, then, of course, you would not advocate the passage of any legislation because there is nothing to remedy so far as you are concerned?

Mr. FULLER. To a large extent I will answer "yes." I believe, to my mind, the most of the allegations against the packers are a matter of prejudice, on account of something that was done years ago and not on account of what is being done now.

Mr. VOIGT. Will you state one single thing in the shape of legislation proposed here which you do advocate or are in favor of?

Mr. FULLER. As I stated in my brief, I do not believe we need any new legislation. I believe if we will enforce the laws that we already have on the statute books we will correct any evils that now exist, if there are any.

Mr. VOIGT. If that is your stand, then you are opposed to any further legislation on the subject.

Mr. FULLER. If you wish to put it exactly in that language, I will say we do not need any further legislation for the control of the packers.

Mr. VOIGT. You think it is all right for the packers to own these refrigerator cars?

Mr. FULLER. Yes, sir; I do.

Mr. VOIGT. And it is all right for them to deal in all the side lines that they wish to deal in?

Mr. FULLER. I do. I think it is just as legitimate for the packers to deal in side lines as it is for Sears, Roebuck & Co. to deal in all the multitudinous lines that they deal in. Sears, Roebuck & Co. to-day are a bigger proposition than the large packers, in proportion.

Mr. VOIGT. But Sears, Roebuck & Co. do not control any agency of transportation for the purpose of handling their product.

Mr. FULLER. Well, I do not recognize that the packer controls any. What agency does he control?

Mr. VOIGT. The packer controls the refrigerator cars of this country, or a large percentage of them.

M. FULLER. Perhaps a large percentage of them, but they do not control them. They do not control any refrigerator cars.

Mr. VOIGT. I understand the figures to be that the packers control about 90 per cent of the refrigerator cars of this country. That being true, you are willing to admit that that gives them substantial control over that method of transportation?

Mr. FULLER. If it is any such percentage as that, of course it does.

Mr. VOIGT. If that is true, are you in favor of it?

Mr. FULLER. I am in favor of it, because my experience is that they have not exercised control to the detriment of the public.

Mr. VOIGT. If you favor that they should control 90 per cent of the refrigerator cars in this country, would you favor that they control 95 per cent of them?

Mr. FULLER. I think that the railroads ought to be in a position to furnish refrigerator cars when the public asks for them. And it is the fault of the railroads and it is the fault of the Interstate Commerce Commission that they are not prepared to do it to-day, because the Interstate Commerce Commission decided that it was not the duty of the railroads to furnish these cars. That is the reason they are not being furnished by the railroads.

Mr. ANDERSON. No; they decided that they did not have the power to enforce that duty.

Mr. FULLER. They decided they were not common carriers——

Mr. ANDERSON (interposing). That was not decided by the Interstate Commerce Commission, but by the Supreme Court of the United States.

Mr. FULLER. I understand that the Interstate Commerce Commission decided that the railroads were not obligated to furnish me with refrigerator cars.

Mr. ANDERSON. No; the Supreme Court of the United States decided that the Interstate Commerce Commission did not have the power to enforce such an obligation or duty on the part of the railroads; that it only had the power to prevent discrimination.

Mr. RAINEY. But the railroad bill has given to the Interstate Commerce Commission power to provide a sufficient number of refrigerator cars.

Mr. FULLER. Well, then, that will change any objections to the fact that the packers control 90 per cent of the refrigerator cars at the present time, if that is true.

Mr. VOIGT. You will agree to the general principle that all businesses are entitled to equal railroad facilities?

Mr. FULLER. I do, absolutely. And I do not want to make any statement that might lead you to think differently. I believe that if I want the service of refrigerator cars in my business of serving the public, it is the duty of the railroad companies to furnish me with them.

Mr. VOIGT. You cast some reflection upon the work of the Department of Agriculture in reference to this experiment they carried on in your basement?

Mr. FULLER. Oh, no; I did not mean it as a reflection, but cited it as an illustration of the difficulties we work under under Government control. It is not a reflection at all. I have a very great deal of respect for the Department of Agriculture. They have done a great deal of good. I would not want what I said to be regarded at all as a criticism of them. I referred to it as an illustration of work under a commission or under Government control.

Mr. VOIGT. As I understood your testimony, you stated that you were informed by the Department of Agriculture that you practically did not know how to run your own business, because you were using saltpeter.

Mr. FULLER. That was at the commencement of it. At the same time I brought out the fact that the rules and regulations in the handling of the business by the Department of Agriculture have steadily improved from year to year as they have become more familiar with conditions and with the work of the packers. The meat-inspection law has been in effect now for 13 years.

Mr. VOIGT. That was simply an experiment conducted by the Department of Agriculture to which you referred?

Mr. FULLER. Certainly; and we were glad to have them make the experiment.

Mr. VOIGT. Somebody has got to make these experiments to find out how far saltpeter is necessary in the curing of beef.

Mr. FULLER. Certainly. And I used it as an illustration of the fact that the representatives of the Government had no confidence in any information that was given to them, and I did not mean it as a criticism of the department, but as a criticism of the theory on which these matters are usually approached—the theory that you have got to be regulated; on the theory that you are a criminal; that there is something wrong with you; and that the Government must put every safeguard around you, so that you do not commit a crime, and with the idea that you would commit a crime if the Government did not keep you from it. I feel that every man has the idea that he wants to obey the law, and I believe his intentions and efforts are bent toward that end.

The CHAIRMAN. Mr. Fuller, I understood you to say that if any legislation is necessary, or if any legislation is to be enacted by Congress, it should be specific.

Cr. FULLER. Yes, sir; that is my idea.

The CHAIRMAN. That is, to legislate through the legislative branch of this Government and not through commissions or through the executive or judicial branches of the Government?

Mr. FULLER. Yes, sir.

The CHAIRMAN. What has been your experience in the way of legislation by commissions? I understand from the testimony that there has been some experience of discriminations under Government control during the war. Did you point out one?

Mr. FULLER. The one I pointed out was by the Railroad Administration.

The CHAIRMAN. The packers have also been under Government control during the period of the war. Has that been satisfactory?

Mr. FULLER. I think it has been administered fairly equitably. There were little technicalities that would trouble you now and then, but I think, on thewhole, it was administered fairly equitably.

The CHAIRMAN. Why do you object to it now if it has been satisfactory?

Mr. FULLER. Because the war is over. We were all willing to do things and to be handicapped during the war—anything to win the war. Every business man I think was 100 per cent loyal, no matter what the effect of regulation on him, for he was anxious to do his best to help in the emergency. He was working with the idea that those things were then necessary. But now the war is over, and we want to get down to business principles.

The CHAIRMAN. If it was a good thing at one time, why not at another?

Mr. FULLER. Well, we recognized the necessity for extraordinary things during the war. During the war we thought there was a necessity for this control for the benefit of the whole country and for the world.

The CHAIRMAN. My understanding of your idea is that the less regulation the better, and that whatever legislation we should have should be in specific terms and enacted by the legislative branch of this Government, and that we should not proceed along the lines of legislating by commissions.

Mr. FULLER. That is my idea. I think we should have a specific law so that we may always know just where we are.

The CHAIRMAN. What is your objection to the commission plan?

Mr. FULLER. Well, I tried to illustrate it in the way our business is handled by the Department of Agriculture. If we have a commission, it will probably be handled in the same way.

The CHAIRMAN. You spoke of discrimination to the extent of 8 cents on shipments?

Mr. FULLER. No; 8 cents a hundred pounds.

The CHAIRMAN. How was that brought about; by a commission, by the courts, or how?

Mr. FULLER. No; that was brought about by no investigation whatever, or without any investigation I mean.

The CHAIRMAN. Was that done through some Government agency?

Mr. FULLER. It was done through the Railroad Administration during the war and without any investigation.

The CHAIRMAN. The Railroad Administration acting for the Government?

Mr. FULLER. Yes, sir.

The CHAIRMAN. Is that your contention, that it is not always possible for justice to be done by these commissions?

Mr. FULLER. Yes. I think we can obtain justice in time. I have great faith in our Government. The packing business is a business of great risk, and ought to have quick action and not long delay.

The CHAIRMAN. One of the elements of the proposed bill is to authorize a license, and if the conditions of the license are not lived up to authority is given to revoke the license.

Mr. FULLER. Yes; to put us out of business.

The CHAIRMAN. Supposing your license should be suspended for a week, how would that affect your business?

Mr. FULLER. It would cause me a damage that I probably could not recover from in a year. It would lose me trade, anything that would give me a bad standing with the consumer, a bad standing

with the public. It would be a black eye to my business, that would take a long, long time to recover from.

The CHAIRMAN. Do you think it safe to leave that to the discretion of one man or of three men?

Mr. FULLER. I do not. I do not think it is in line with our principles of freedom of business to have the license system. I believe that the license system is absolutely wrong, the whole theory of it.

The CHAIRMAN. What I am trying to get is your view of a commission, whether you are for or against it.

Mr. FULLER. I am against it.

The CHAIRMAN. If you are against it, what is your objection?

Mr. FULLER. I am against a commission; I am against any specific legislation covering the packing industry. My thought and my whole idea is that the packing industry as such is run honorably and honestly, and as much for the benefit of the general public as any other line of manufacturing business in the United States; that the proposed legislation has been engendered largely by misformed conceptions. If the packing industry does need some regulation, pass some legislation in specific language that will correct the evils and that may be clearly understood.

The CHAIRMAN. I take it that your thought is that the cure lies in open competition, giving everybody a chance?

Mr. FULLER. Yes, sir.

The CHAIRMAN. The Federal Trade Commission report indicates that there is not free and open competition. You have stated that if that is true, and legislation is necessary, that the purpose of the legislation should be to guarantee competition. Can that be provided for in the way indicated in the report? Is it safe to the independent packer, or anybody else, to take the chances of operating under a commission, either of one man or three men?

Mr. FULLER. As far as I am concerned I believe the situation will not be helped by a commission. I say there is competition; in fact, the competition is so severe that it requires my utmost efforts to keep up.

The CHAIRMAN. That is not a controverted question. I take it that everybody agrees that there should be competition, and that if legislation is necessary to bring it about it should be enacted. But the question how to bring about the results desired is the main question. Can it be done by a commission or should it be done by specific legislation?

Mr. FULLER. I do not want you to do anything to bring up more competition, because if there is I will have to go out of business.

The CHAIRMAN. That may be your side of it, but others may take a different view.

Mr. FULLER. I am speaking from my side of it and from my knowledge and experience of the business.

The CHAIRMAN. I feel sure you will be safe with free and open competition. I believe you will be able to take care of yourself.

Mr. FULLER. We have 16 packers doing business in the little town of Des Moines, and there are 16 different prices every day.

The CHAIRMAN. And the people are contending that we ought to have 16 more, that it would be better for the producer and the consumer.

Mr. FULLER. All right. The point I am making is that I do not care how much competition you give me, how many are doing business there, I will run my business on its own merits, and if you do not give the other fellow some advantage I will try to get along. If the other fellow has any advantage to-day he has got it legally because it has been given to him.

The CHAIRMAN. You have no specific suggestions to make to this committee as to legislation?

Mr. FULLER. No; I have not. I have presented my statement, and I do not believe we require any additional legislation; that if we will enforce the laws we have fairly and squarely, and give each man a fair show, I think we have on the statute books to-day laws that will cover any evils or irregularities complained of, and that they will be corrected if those laws are enforced.

The CHAIRMAN. One contention is that we should have specific legislation; another is that we should have regulation by a commission; and another is that we should have regulation by specific legislation. What do you think about that?

Mr. FULLER. A specific law to cover a case is what I believe in where necessary.

The CHAIRMAN. The committee is very much obliged to you, Mr. Fuller.

Mr. FULLER. And I am very much obliged to you, Mr. Chairman, and to the committee for giving me this hearing.

The CHAIRMAN. The committee now stands in recess until 2.30 o'clock p. m.

(Whereupon, at 12.10 o'clock p. m., the committee recessed until 2.30 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2.30 o'clock p. m.

The CHAIRMAN. You may proceed now, Mr. Sykes.

STATEMENT OF MR. A. SYKES, OF IDA GROVE, IOWA—Resumed.

Mr. SYKES. Mr. Chairman and gentlemen, this is the Fifteenth Annual Report of the Corn Belt Meat Producers' Association, issued by H. C. Wallace, secretary, Des Moines, Iowa. The annual meeting was held on January 28 and 29, 1919, and I am reading from page 84. These are the resolutions I spoke of as being passed at the convention last year:

Resolved, That we commend the Federal Trade Commission for its thoroughgoing and fearless investigation of and report on the packing industry as conducted by the five largest packers, and we express our appreciation of the work done by the market committee of the National Live Stock Association in preparing for and assisting in said investigation. We trust that this investigation may result in the enactment of corrective measures which will make it possible for all packing concerns, large and small, to compete on even terms in the purchase of live stock and in the manufacture, sale, and distribution of meats and all food products which they handle. Our representatives in Congress are urged to work diligently for the enactment of such laws.

Resolved, That we favor the enactment by the Congress of the United States of a law embodying the principles of the Kendrick bill. We believe this bill embodies the correct principles of control of the packing industries, stock yards, commission agents, and the marketing of the live-stock products of the country.

And then skipping a number of paragraphs I wish to read into the record one more resolution:

Resolved, That we approve of governmental supervision and control of the stockyards and of the commission men and traders in live stock at the various central markets. These yards are, in fact, public utilities, just as are the railroads, and should be subject to strict supervision.

Mr. Anderson yesterday afternoon asked me, as I remember, about whether, to the producers, the operation of the stockyards under Government supervision was more satisfactory than under the old system of stockyard supervision. I just want to say here in that connection that we found quite an improvement, especially in the feeds that were used, after some investigations were made along that line. I know I had had a number of complaints with regard to the poor quality of the corn that was used and also the hay in the stockyards prior to the time of this Government supervision. Samples of corn were sent me that it did not seem were fit for use in the stockyards or for feeding purposes at all, and we had considerable complaint along that line on account of the very poor quality of the corn and the hay that were used, and after supervision was taken over by the Government the stockmen noticed quite an improvement in the quality of the feed that was furnished at these markets, and I can say that I have had no complaints, as president of this organization, from the stockmen since the Government took supervision of the yards in regard to the feed.

Now, I am not going to take any time in going into the relations that exist between the packers, the stockyards, and the commission men and the traders, and all those people. I think this committee fully understands that. It has been gone into carefully and fully, and we all understand that under the present system the commission men are simply tenants, in a sense, of the packers. They are obligafed to the packers and the stockyards company for all the accommodations that they secure, both in office and yards and everything, and if any of the committee have ever been in that position they know about the feeling that is created in that regard between the tenant and the landlord. There is a feeling of obligation that exists and you can not divorce yourself from it, and we can see how these men are influenced regardless of the fact that they do not want to be, and yet they are obligated to these people and must in a sense defend them in matters of this kind.

I would like to say right here that so far as the producers are concerned, in the corn belt at least, we have no quarrel with the commission men. I think I stated yesterday that as a whole they are a high-class bunch of men. We have no quarrel with them. The only thing we want is a square deal, and we want them to be placed in a position so that they can give us a square deal. We want to remove these undue influences that are brought to bear upon them in the way they have been in the past, and also to assist them, as I stated yesterday, to clean up the fellows who have gotten into their exchanges and who are not honest and straight in their dealings.

And just in this connection I want to say to the committee in regard to the controversy that occurred yesterday as to the man who reported short on his sales accounts to his customers that there was a contradiction in regard to the books of this man being destroyed.

I stated that it had been reported to me by one of his customers that he had burned his books back beyond two years. I called Mr. Bray up this morning over the phone, who is, as I understand it, the stockyards supervisor of the Bureau of Markets, and asked him just what the facts in the case were. Mr. Bray said that all of the books that they could find ran back only to 1917, which was practically as I stated—two years. This was 1917 and 1918. The investigation was made in 1918. They could locate none of his books beyond that date. He said, "I would not want to say they were burned, because we do not know that," but it was the assumption that the books were burned back beyond that date. If the committee wishes any more information they can call Mr. Bray and he will furnish the auditor. He said for me to give the committee that information—that he would be glad to furnish the auditor to testify before this committee as to the whole investigation and as to just what developed in that matter; that is, the auditor who audited the books and ferreted out the whole matter.

The CHAIRMAN. Did the money that was refunded cover just that period?

Mr. SYKES. That is my understanding; yes, sir; back just as far as they had the books to trace it up.

The CHAIRMAN. And only for that period?

Mr. SYKES. That is my understanding; yes, sir; but the auditor can make that perfectly clear to the committee.

I wish to state that yesterday I stated there was a feeling of distrust all over the country in regard to this whole matter, both on the part of the producers and the consumers. This is not confined to the producers alone. There is a feeling that the packers are not dealing square with us. There is a feeling that there is something wrong. Now, whether that is true or not true, the psychological effect on the public is the same. We all must admit that. The result is the same as if it were true; and until that condition is removed it will exist, and that distrust will remain in the minds of the producers and the consumers alike, and the only way to remove it is through proper legislation that will restore confidence on the part of both the producers of live stock and meat products and also the consumers.

Now, I want to speak for a minute on fluctuations, violent fluctuations, in the market. I suppose that this is one of the greatest grievances that the live-stock man is up against. I do not know whether legislation can be enacted to remove that or not. I am not here to say that it will, but I am here to say that there seems to be no justification for the violent fluctuations which have had possession of the live-stock market for at least the past eight months; fluctuations of as much as $1 a day in price—that is, $1 per hundred pounds in the price on hogs, and also on cattle—both up and down.

The packers have said time and again that they were willing to do everything they could to assist in removing these violent fluctuations and stabilize the markets. That was one of their favorite stories, stabilize the market, and they wanted a five-day market, and we agreed to a five-day market and thought that was the panacea for correcting this evil and not have practically the bulk of our live stock—I am speaking now particularly of Chicago—thrown on the

market on Mondays, Wednesdays, and Thursdays. So the zoning system was inaugurated, and in that way we attempted and, to a very large extent, did control the distribution of live stock and distributed it over the five days of the week—that is, Monday, Tuesday, Wednesday, Thursday, and Friday—and yet in the history of the Chicago market the fluctuations have never been as violent in price as they have during the last eight months. A man starts from western Iowa with a shipment of hogs or of cattle, and the market, we will say, is $15 a hundred on hogs; that is the top in Chicago, and when he gets to Chicago with them, in 48 or 72 hours, as the case may be, he does not know whether they will be worth $15 or whether they are worth $13. There is absolutely no assurance whatever. They are pretty sure not to be any higher than that.

It has occurred to me that if the packers were real sincere and earnest, dead in earnest, as they have stated to the producers time and again, to correct those things, that there could be some way worked out to correct them, so there would not be on one day's market, at least, a violent fluctuation of from 75 cents to $1 per hundred. The price of the dressed product does not reflect any such fluctuations whatever.

The question of two markets on hogs has been brought into this hearing—that is, the quotation of different prices on hogs; one the speculator and the shipper, and the other the packer. This has been going on for some time; practically ever since hogs broke so badly last fall. The big packers have invariably stayed out of the market until the shippers and the speculators were filled up and had bought up all the hogs they wanted, and they went in and cleaned up part of them, or possibly all of them, at 50 cents to 75 cents of a decline. Nobody else wanted what was left, and so the packers went in and bought them up. If a commission man had the nerve to hold them over until the next day, invariably he sold them at a lower price.

Now, of course, we do not deny the fact that the packers have got the right to do that, so far as that is concerned—that is, under our system of doing business—but is it policy and is it fair dealing? If the packers want to deal with us as they say they do, and assist the producers and help us to remain in the business, why is it not fair when the market opens, at about 8 or 8.30 o'clock in the morning, for the packer buyers to go out with the other fellows and buy these hogs and take their chances along with the other fellow? They do not do that, however. Those are the things, men, I am here to say to you that arose in our minds and convince us that there is something wrong and that there is absolutely collusion between the big packers to do these very things.

Now, in regard to the cattle market, as I have been speaking particularly of the hog market, you know what happens when there is a big run of cattle and prospects for a lower market. These fellows hang around their offices and they will stand around and chat and visit just as unconcerned as though they did not care whether they ever saw another steer or not, until the cattle are all watered and fed, and then the buyers will get hold of them, and they will say, "No; we are not ready yet." Probably they will come into the yards and look at them and go off without making a bid, and they

will come around again, and sometimes you will see three or four of them riding down the alleys side by side; that is, buyers representing the different packing institutions. After the fill has about all gotten out of the cattle and the shippers become exasperated, about 12 o'clock or along there the buyers will then begin, and they will ride in and buy up the cattle. Is that fair treatment? Is that the way to encourage the producers to continue in the business? That is one reason our people are taking a loss of $25 or $50 a head on our stuff. It just adds to the loss, that is all. They put the price down and buy the cattle without any fill. It is not necessary that these men have any agreement between them to bring this about. The very fact that they do this thing leads us to believe that there is collusion between them.

Mr. VOIGT. Is that done frequently?

Mr. SYKES. Yes, sir. You ask any man who ships to the Chicago market whether it is done frequently or not, and he will tell you. On this last shipment of cattle I had on the market, that I referred to here yesterday, there was just one packer buyer who bid on those cattle. The other fellows would not come out and bid on them at all.

There is another thing that leads me to the conclusion that there is something radically wrong, and that is this: These buyers who represent the big packers are either artists in placing their bids which they place or are supposed to place on the percentage that the critter will dress, or else there is collusion, because it is no uncommon thing for us feeders to ship beef cattle into the Chicago market and have four buyers representing the four big packers ride into the yards and bid exactly the same price on those cattle. Now, it may be that they are such experts that they can tell just exactly by looking at these steers what per cent they will dress. Of course they are supposed to know pretty correctly. I will admit that. If they did not they could not hold their jobs, but this is done to the fraction of a penny. For instance, I remember one case, I think it was a year ago last summer, when I had a shipment of cattle on the market, and we wanted 17 cents for these cattle. The commission man thought they were worth that, and I thought they were worth it and told him so when they went into the yards. I told him that the cattle ought to bring that. Four buyers representing each one of the big packers bid $16.90 on those cattle, and not one of them ever raised the bid, and he sold them finally to the man who made the first bid; and I say it is not an uncommon thing for that to occur.

Mr. VEEDER. Did any of them offer less than the $16.90?

Mr. SYKES. No, sir.

Mr. VEEDER. All just the same?

Mr. SYKES. Every one of them bid exactly the same thing. The commission man came to me and said, "Sykes, I am bid $16.90 on these cattle by all four of the packer buyers."

Mr. VEEDER. How many cattle were there in the bunch?

Mr. SYKES. Two loads; but the number of cattle does not cut any figure, men, whether there were 40 head or 100 head, that does not cut any figure; the results are the same.

Mr. VOIGT. Were these four buyers together when they made the bid?

Mr. SYKES. No, sir; they came separately into the yards.

Mr. VOIGT. Were there any other buyers there besides these four?

Mr. SYKES. No other buyers looked at the cattle, as I remember. There were other buyers, evidently, in the yards; yes, sir; but there were no other buyers who bid on the cattle, as I remember.

Mr. VOIGT. And these four men came there one after another and bid the same price?

Mr. SYKES. Yes, sir; they did not follow one after the other closely. That consumed, possibly, a period of two hours before those cattle were weighed.

Mr. VOIGT. All I wanted to know is whether they were together or not.

Mr. SYKES. No, sir; I should say there was possibly, as I remember it, 15 or 20 minutes, or it may have been a half hour, between the time the commission men go out and come back and hunt these men up in different parts of the yards and bring them around and show them what they have got; and after one man would bid, of course, they would go off and see if they could not get some one else who would raise the bid.

Mr. VEEDER. Do you charge that the buyers for the other concerns who did not bid at all were likewise influenced?

Mr. SYKES. I told you that there were no other bidders on the cattle. That is all I know about it.

Mr. HUTCHINSON. Did the commission man ask any other buyers to bid outside of the four?

Mr. SYKES. I have no doubt he tried to get other buyers. I know nothing about that. Just as I told you yesterday, we do not know what these commission men are doing, only what we are told.

Mr. HUTCHINSON. That is not what I asked. Would not the outside buyers give you a bid?

Mr. SYKES. I have no way of knowing that. They did not bring them into the yards. We know the men who come into the yards, and sometimes they will tell us whether they bid or not and sometimes they come in and look at the cattle and do not bid at all, and will ride away without making a bid, so that we would have no way of knowing unless the commission man told us what was going on between the two or unless we happened to be close enough to overhear them.

Mr. HUTCHINSON. If he did not ask any of the outside buyers he was not a very good commission man, was he?

Mr. SYKES. As I say, I do not know as to that. He no doubt tried to get them. I am not saying he did not have other buyers look at the cattle. I am saying that there were only the four men who bid on the cattle. That is the point I am making.

Mr. VEEDER. Did you hear these bids made yourself?

Mr. SYKES. No, sir; I did not.

Mr. VEEDER. You got that report from the commission man?

Mr. SYKES. He came to me after the last man bid on the cattle and stated what we were up against there, and that is all I know about it.

Now, as to this other bidding proposition, men, I am here to say that there is not anything to it in the Chicago yards. You sell, for instance, to a man who is an order buyer or is buying for some eastern concern, and who is it? It is a concern owned by one or two or three of the big packers, and he is buying for that concern. Now, that is

just the situation. There are a few independent dressed-beef men who buy a few loads of cattle in the Chicago market or have men buy them, and they are what we call order buyers. A lot of men think that there are a lot of those concerns in the East that are entirely independent of the influence of the big packers, but it is a mistake. The time was—and I am going to state right here that not more than 15 years ago nearly all of the cattle I shipped to the Chicago market was sold and went East on the hoof to men who were independent of the big packers at that time, but what is the result? They have all been taken over, and they are out of the business, and these fellows who a lot of people think are independent buyers in that market are representing the Big Five. They are hooked up, in a sense, with the same aggregation that operates in the Chicago stockyards on the class of cattle we handle.

Now, there is another instance I am going to cite right here on this price-fixing proposition, and this occurred last May.

Mr. ANDERSON. How much longer will you take for your statement, Mr. Sykes?

Mr. SYKES. Just a few minutes. I had a two-car shipment of cattle in there, and we were bid the very same way on them by four of the packer buyers, and the cattle stood there for some two hours and shrunk out, and the market seemed to hold at least steady, and one of the buyers finally came around and put 15 cents onto the price; that is, raised his own bid. Of course, it did not make any more money for me, and it would have been better for me to have sold them on the first bid so far as that was concerned, because they had shrunk out more than the increase in price that was put on the cattle.

Now, these are some of the things, gentlemen, that are confronting us, and I am not going to take any more of your time. They are the things that we feel ought to be corrected by legislation in some way; at least we feel that the market, as I have already said, should be a free and an absolutely open market, with the guaranty of a governmental body to supervise it, so that we will have some assurances that we are getting the market value for our stock. We can not make those men buy. I understand that. We can go out of the business, which we are going to do if this thing keeps up. There is not any question about that. That is what is going to happen, but if we are guaranteed a free and an open market with proper governmental supervision, then it is up to us to either continue, or if the prices are not satisfactory, or to keep our mouths shut about this whole affair.

I have just one word more, and that is in regard to a matter that I think was injected into this hearing by Mr. Lasater, and I want to refer to it, and that is the importance of the live-stock industry in the United States, and especially in the corn belt.

This Nation can not survive if the packers or anybody else freeze out the live-stock industry from the corn belt. It is the only way we can maintain the fertility of our soil. If the packers are not doing an injustice to us, then let them come out openly and say, "We will accept legislation that will place over us proper governmental control to restore confidence in the market," and I believe that when that is accomplished, the producers of the country will be satisfied that they are at least getting a square deal, and we will do our best.

I thank you.

Mr. VOIGT. I did not get your view as to the attitude of the producers on the ownership of the stockyards.

Mr. SYKES. In regard to the ownership of the stockyards, it seems to me—this is my personal view, and I think it is concurred in largely by our people in the corn belt—that it is not so material or important who owns the stockyards if they are properly supervised so as to prevent the things from being "pulled off" on the producers and on the commission men and everybody else that have been "pulled off" in the past.

Mr. VOIGT. Would you suggest it feasible for the producers of the country to form a stock company to take over these yards?

Mr. SYKES. If they were so inclined, I think, Mr. Congressman, that would be feasible. Personally, I am not advocating any such policy myself. I am a farmer and a feeder. I do not want to launch out into those lines at all. I haven't any money to invest in those things.

Mr. VOIGT. I was only trying to find out how the producers would feel about it. Under the injunction that has been issued against the packers they are to divest themselves of the ownership of these yards in two years. I think it is of some interest to the producer to know if they are to be divested of them who is going to own them.

Mr. SYKES. You are right there, in that sense, and yet, as I have said, I do not see as it makes so much difference as to who owns these stockyards if we have proper governmental supervision over them to prevent these things from happening. It does not make any difference to me who owns the railroads if they are properly supervised by an impartial commission. That is about the way it looks to me in regard to the stockyards.

And I will say the same thing about the refrigerator cars. I understand that the Cummins-Esch railroad bill provides for these refrigerator cars; that is, it make such provisions. I have not studied that bill, and I do not know just what it contains, but I am not so much concerned about who owns the refrigerator cars as I am as to who sees that everybody gets a fair deal with those cars; that is the point that I think is important, to have a commission or a governmental body that will see that the big packers do not use these cars and discriminate against the small packer in the use of them, that they do not take them all to themselves and abuse their privileges along that line.

Mr. VOIGT. If it were to bring about a condition whereby an individual user of a refrigerator car could get that car on exactly the same terms as the packer runs his car, then, of course, you are right.

Mr. SYKES. Yes, sir; that is right.

Mr. VOIGT. But the question is, How does it work out in practice when the packers own 90 per cent of these cars that are carrying the meat. Judging by the past, they have certainly had the advantage over everybody else.

Mr. SYKES. There is no question about that; there has been absolutely no supervision over the refrigerator cars at all—that is, over packer-owned cars. The Interstate Commerce Commission has had no supervision over those cars—that is, in the distribution of them—and there is no question but what the packers have used them to the detriment of the smaller packers; and if that is going to continue.

then they should be taken away from the packers and a provision made that the railroads should own all of the refrigerator cars and provide them.

Mr. VOIGT. You spoke about the fluctuation of prices. You said one day the price may be up or down a dollar a hundred, and you thought that should be done away with?

Mr. SYKES. It will have to be done away with, Mr. Congressman, or the stock men will have to quit business because we can not do business on that kind of a market and stay in the game.

Mr. VOIGT. I understand that is an undesirable condition for the stockmen, but have you any suggestion to make as to how to cure it?

Mr. SYKES. No, sir; I have no suggestions, anything more than I think that if we had a proper governmental body that they should study into such things as that and find out whether these violent fluctuations were justified and whether the price of the dressed product reflected those violent fluctuations or not. Those are the things that we mistrust.

Mr. VOIGT. Let us see. Suppose that an investigation were made by some body investigating the matter, which reports that a fluctuation of a dollar a hundred on a particular day is not justified; what would you do then; what would be the remedy?

Mr. SYKES. That would have to be worked out, Mr. Congressman, how to correct that.

Mr. VOIGT. I was just wondering whether you had given the matter enough thought to suggest a remedy?

Mr. SYKES. No, sir; I have not. I have not worked it out, because, as I have said, the packers lead us to believe that if we could regulate these receipts that we could largely stabilize the market, and contended for a five-day market to distribute the receipts, which was given to them under the zoning system. And yet, as I have stated, the fluctuations have been more violent than the market ever went through in the past eight months. So that it is a matter that would have to be given a lot of thought and careful consideration, and worked out as to removing those violent fluctuations.

Mr. RAINEY. How many cattle have you fed in the past year, Mr. Sykes, or, say, the past five years; about how many?

Mr. SYKES. I should state roughly possibly 400. I am not a big operator. I stated that in my opening remarks.

Mr. RAINEY. You suggested if prices were not better the people in the East would eventually have to get out of the cattle-raising business.

Mr. SYKES. No, sir; not in the East; I said in the Middle West—the corn belt.

Mr. RAINEY. Is not this true, Mr. Sykes, that as civilization progresses and towns grow up land becomes more valuable? In Iowa, for example, land is $250 an acre, and you can not compete with the ranchman of the West, where they can pasture their cattle for 70 cents a year.

Mr. SYKES. From what the ranchmen tell me, their production costs have been increasing about on a par with those in the corn belt. Possibly not to quite as great extent, but they have been increasing, nevertheless.

Mr. RAINEY. Do you not think it inevitable that people with such valuable land will have to abandon competition with westerners in the production of live stock?

Mr. SYKES. If we are forced to abandon the feeding of beef cattle in the corn belt, where are you going to get them from, Mr. Rainey—from South America?

Mr. RAINEY. I was asking the question of you as to whether or not you could compete successfully with land which has grown so valuable against the men of the West.

Mr. SYKES. Of course, that question is problematical. I do not think anybody can answer that question at all. It would all depend on the price we received—that is, on the spread between the cost price and the selling price that we received whether we could or not.

Mr. RAINEY. Do you think the rates of exchange recently had anything to do with low prices?

Mr. SYKES. The packers have laid the whole blame to the exchange rate, and they tell us that is the reason they are buying our hogs at about $3 a hundred less than it cost us to produce them.

Mr. RAINEY. As a result of these low rates of exchange there has been little export business; is not that true?

Mr. SYKES. Yes, sir; I think there has been a decrease in the export business.

Mr. RAINEY. That is, if you do not have an export for your surplus it means low prices at home?

Mr. SYKES. Evidently it does; yes, sir.

Mr. STINNET. What effect would the discontinuance of feeding in Illinois and Nebraska have in the value of the lands there? Your corn is fed, largely, is it not, to live stock, or has been heretofore?

Mr. SYKES. Yes, sir; about 80 per cent of the corn grown in Iowa for years was fed to live stock; it is a little smaller per cent than that now, because so many feeders have been going out of business. and it is a slightly less per cent than 80; I do not know the exact per cent now.

Mr. STINNET. Unless they feed stock in the corn belt, do you believe realty and farm values can be maintained?

Mr. SYKES. No, sir. That is just what I have been trying to impress upon this committee—not only realty values can not be maintained, but our people can not be maintained either.

The CHAIRMAN. Are there many complaints of holding up cattle in the alleys?

Mr. SYKES. Not so far as I know. I confess, I have had very few complaints come to me as president of this organization, and. personally, I have never had any with my own stock; I never had any trouble along that line.

The CHAIRMAN. What is your suggestion about separating the packers from the operation of the dairy and poultry products business?

Mr. SYKES. I am a little with that proposition like I am with the stockyards. If the packers are properly supervised, so that everybody knows they are getting a square deal, really I can not see where their operations in poultry and the dairy products is going to seriously affect those interests. Of course, if I was a poultry man or a dairyman I might see it differently.

The CHAIRMAN. You have members in your State and in other States with whom you come in contact?

Mr. SYKES. I am right in the feeding belt.

The CHAIRMAN. You come in contact with all the people throughout the corn belt States. We would like to have your opinion.

Mr. SYKES. I have not received any complaints from either of those lines, from the people who produce these products, in regard to the matter; that is, as to the packers remaining in those lines. So that, aside from my own opinion, I am not qualified to speak.

The CHAIRMAN. You think a monopoly in one would be just as injurious as in another?

Mr. SYKES. If it was a monopoly it would be just as injurious, and should be regulated just as much as the other. There is no question about that.

The CHAIRMAN. In your opinion, have the five big packers a monopoly at the present time in either of these activities—poultry, eggs, and dairy products?

Mr. SYKES. I am not well enough qualified to speak of that. I have not made it a study as I have of the live-stock business, and I would rather not be quoted, because I would feel that I was not qualified to testify.

The CHAIRMAN. The contention has been made that it requires 38 to 40 acres to raise an animal in the far West?

Mr. SYKES. Yes, sir.

The CHAIRMAN. If the corn-belt people were driven out of the business it would limit the production considerably. Where then would the supply come from?

Mr. SYKES. That is what I have been wondering; that is what I wanted this committee to think about.

There is no other place from which to get what is called "fancy dressed beef." If you do not know that, you ought to know it. There is no other place in the world; that is, where we can get it, where it would be accessible to people of the United States, except in the corn belt of America—the corn-fed stuff.

Suppose we would return to the same conditions which existed only a few years ago and we would have to get our supply from outside—from South America?

Mr. SYKES. Yes; and then you do not get the quality of product that is produced in America when it comes from South America.

Mr. HUTCHINSON. Do you raise your feeders or go West for them?

Mr. SYKES. I do not raise them; I buy them on the market. I raise a few only.

Mr. HUTCHINSON. You buy farther West?

Mr. SYKES. We have about 15 cows with which we raise calves every year, but our feeders we buy, as a general proposition, on the Missouri River markets.

The CHAIRMAN. Do you raise them at a loss?

Mr. SYKES. It would seem so, from these figures, Mr. Chairman. I never figured it out before.

The CHAIRMAN. Is it universal that they are raised at a loss?

Mr. SYKES. Yes, sir; I think that is the general opinion, that they are raised at a loss, when you figure the actual cost of producing that animal and figure nothing for the increment in your soil.

While on that point, I want to say here, men, there are a lot of people who think us fellows have gotten rich out in the corn belt. If you would deduct from our present capital unearned increment of our lands, we would be just about where we were 25 years ago. That is practically universally true. There are some instances where men have speculated in one thing and another, that is, farmers, and made some money outside of the increase in the value of their land. But you segregate that class of men and the average farmer and producer is left where he was 25 years ago.

Mr. RAINEY. I read the other day that every third man in Iowa owns an automobile.

Mr. SYKES. That possibly is true, when you confine it to the men; I think that is possibly true.

Mr. RAINEY. I do not know whether it was men—I think it was every third person.

Mr. SYKES. No, sir; that is not true.

Mr. LYMAN. Is it not true, Mr. Sykes, that an automobile is a part of the machinery of the farm these days?

Mr. SYKES. Yes, sir. I was just going to make that statement. An automobile in Iowa, and especially a Ford—and the large majority of cars that are owned by the farmers are Fords, are considered an absolute necessity, just as much as the farmer's team of horses, his drag, his corn planter and all those things. Those automobiles are a business proposition to make time on the farm, that is all there is to it; that is what they are owned and used for.

Mr. ANDERSON. I will now call Mr. Ames.

STATEMENT OF MR. A. L. AMES, OF TREAR, IOWA.

The CHAIRMAN. Kindly give your full name to the stenographer, where you live, and what your business is.

Mr. AMES. My name is A. L. Ames; residence, Trear, Iowa, which is about the central part of the State. I was born there in 1859 and have lived on the same farm all my life.

The CHAIRMAN. You grew up with "Tama Jim"?

Mr. AMES. I grew up with "Tama Jim"; he was a neighbor of mine.

Mr. SYKES. Mr. Chairman, I would like to state who Mr. Ames is. I know he is just a little reticent about telling. Mr. Ames was the first president of the Corn Belt Meat Producers' Association in Iowa. He was State senator at one time, and he has been one of the prominent feeders, and he is one of the prominent men of our State, so that I want this committee to know who he is. At the present time he is director of the fifth district in the Iowa Federation of Farm Bureaus and at the present time is representing the Corn Belt Producers' Association as a member of a committee sent by that association, along with myself, to this hearing.

Mr. AMES. In giving my testimony, however, gentlemen, I want to state that I am looking at this from the viewpoint of an individual feeder and farmer. Although I agree with Mr. Sykes and a great many of my neighbors and a great many of the men in the State of Iowa doing a similar line of business agree with me to a large extent in my opinions of the Chicago market, I do not think that they will be drastic nor out of the way.

In order to arrive at what I want to present, I will say that in 1882 I began the feeding business for myself on the present farm. In the year 1900, after carefully going over the situation and checking up the business which I had been doing, I determined to make the feeding business a profession, a business of feeding and manufacturing beef from the stocker or feeder into the finished product. I equipped my feed yard with a good equipment, putting in grinding machinery, going into careful tests, weighing every pound of feed which I fed, putting them on feed in a systematic manner and carrying them through, and for a number of years the feeding proposition was a fair, good, equitable business. There were ups and downs, to be sure, such as would occur in another business, but nothing out of the way.

In the year 1900, or 1904 or 1905, conditions began to change, and it became more difficult to secure a fair margin, a working margin on a business of this character, and at that time there was an organization formed to investigate those matters and see if there could be some remedy found. As a result of that, I was stationed for a short time in the Chicago yards. Upon my arrival at the yards, and upon investigating, I found that at that time there was 41 per cent of all of the stock which the Chicago yards received shipped out of the yards and purchased by outside buyers. That gave us a good, fair competitive market, and it was the desire and the expectation of the managers of the Chicago yards at that time to increase that per cent of outside buyers until at least 50 per cent of the buying market should be from the outside markets.

I am familiar with some of the testimony which the representative of the packers' association gave yesterday, on the proposed moving of the yards to Gary, as it is now called; and I agree with him that it was the greatest mistake that the stockmen and the stockyards' situation ever experienced, because at the present time, and as long as we feed and grow stock we will be hampered by unpleasant conditions in getting into the stockyards of Chicago. I think, however, and this is my personal opinion arrived at from being in the yards while the transaction was proposed, that it was a fictitious proposition to secure control of the yards by the packers. I can not prove this. I only say that it was my personal opinion that such was the case.

But, however that may be, I simply think that the packers were interested in the yards, to my mind does not influence in any way the method in which the stock is handled, providing you have equitable regulations of any public corporation. The day has come, gentlemen, in my opinion, when men in your capacity, and representing the Nation, must provide regulations that big corporations can be controlled and compelled to do their business in a reasonable, fair, and equitable manner. The day of big money is here, and we must face it, and we must conduct our transactions with that in view; and the simple fact that a big corporation is investing its money in this or that or the other thing makes but little difference to me, if it is a fair, open, and competitive market, in any direction. Such has not been the case in the meat industry up to the present time in the United States.

I think at this time, and the witness who was before you just prior to lunch proved without a question of a doubt that there have

been injustice and unfair discriminations in the meat business of this country from away back when the packers first started, and when I shipped on to the Chicago market; and I have seen capital roll up from practically nothing to one of the biggest corporations we have in the United States or in the world, and controlling to-day—absolutely controlling—one of the biggest businesses there is in the United States; and that is the reason why, gentlemen, I am here trying to see if there is not some way to protect the people of the United States who are engaged in the live-stock business of this country.

It is a big business, and when I speak of a "big business" I mean that there is only a small part of the world, if you please, where prime beef and pork can be made. It comes, all of it, from the corn belt of the United States, and until we have a corn belt established elsewhere the people of the United States must look for their prime goods from this territory. And it seems to me mighty short-sighted policy on the part of the packers who control this market to so discriminate or so arrange their business—I will not use the word "discriminate," but so arrange their business that practically 50 per cent of the people of the corn belt are feeding their stock at a loss.

Now, I mean by "loss" this: I do not mean they are losing money, if you charge nothing for labor and investment, but they can sell their crops in other ways and receive more money than they can through the live-stock channels, and for that reason it seems to me that the live-stock industry is in jeopardy when you put such a situation up to the people.

As Mr. Sykes has said, it has only been within a few years since the violent fluctuations of the markets have been so noticeable. In the early years of my business experience, the fluctuations would vary from 25 to 30 cents a month, or such a matter. There was nothing radical in fluctuation unless there was a strike or some financial disaster in the country. Those were the things we had to contend with.

But, now, within the past 8 or 10 months those fluctuations have become so wide that it is absolutely impossible for a feeder to determine what he is going to receive when he puts his cattle in the yard: and that is the time, gentlemen, when it is the vital part and a vital issue to every feeder.

He buys the cattle to his best knowledge and his best judgment: he buys them on the market, or he buys them out on the range, and I have bought in both places thousands of cattle, and I think I understand the situation. I think I know that I can go onto a stockyard anywhere and do business, if I so desire, and stay long enough to become acquainted. But it is not feasible, gentlemen, in very many instances, because you are not well enough known as the other fellow is, and you are crowded out, as evidently a man protects his old customers and he is the man who has the first chance. However that may be, you can go to the market and you select your cattle for the best interests of yourself at that time, you put them on feed, you know the market you must have, you know how much you can put on that steer a day for a period of 90 or 120 days. It is not a matter of guess that part of it. You are absolutely sure that if you feed so many pounds of feed to these animals that at the expiration of that term of days you will turn out of your yards a product that weighs

exactly so many pounds. You can estimate within 25 pounds per head on a thousand cattle or a hundred cattle, if you wish, provided you keep your records correctly. You know what you can do; that part is easy. But you do not know what you are going to receive, and there comes the difficulty.

Did you ever stop to think that the feeder or the farmer business is the only business that is determined by a system of subtraction? Everything else is determined by a system of addition. The farmer commences with what he receives, and he subtracts from that all that goes into his product in order to find out how much it is worth, and when he gets done he finds many times that he has nothing whatever for himself or his labor. Why should we not change that condition of things?

I am not going to stay here long or talk to you very much, but I have one or two simple propositions which I think you should accept. One, I think, is the Sherman antitrust law, and you gentlemen know that at the present time the Sherman antitrust law is absolutely nothing. By amendment and by decree you have no Sherman antitrust law.

Next, I think you ought to have a commission, and you ought to have a commission composed, as has been already suggested, of people who are disinterested, representing the three great distinct classes who are concerned in this work. And after you have that commission so that all parties have access and can lay their troubles before them, show what we want and what we can do, it seems to me that it would be a beneficial proposition.

The very fact, gentlemen, that the market fluctuations exist, so the packer buyers will say the price is controlled by supply and demand, that is not true. The supply is exactly the same; you do not change one single animal that comes to that market. The supply is already there; it is in the country; it must come to that market. The packer knows what it is; he estimates how much is going to be on the market to-day, how much to-morrow, and by the manipulation of supply and demand that buyer forces the market down to a relatively unjust price.

You must have some way to regulate that enforced arrangement that does control at the present time the idea of supply and demand.

Gentlemen, that is all the time I wish to talk. It is what I have in my mind, and I believe that you gentlemen who are elected from our State and other States of this great Nation have interest enough in this great business to perfect it so that it will not go down to defeat and be, as the New England States are to-day, in a state of decay.

Our soils to-day in Iowa are being depleted; our farmers are leaving their farms and going into town. You are mining the soil of Iowa, Illinois, and all of those five great States will go down just as sure as the live-stock interests goes down, and all of the money that is invested in all the great herds of Iowa in the milk industry, in which Iowa stands third, in all those places, gentlemen, if the live-stock interest is not protected, if the farmer does not get a fair renumeration for his valuable product; if he can not be paid a fair return for the labor that he puts in it, the live-stock industry is doomed just as sure as we are here to-day. I plead with you, and I plead with all of the people who represent my industry to look at this thing in a broad way.

I have lived in Iowa for 60 years. My father came there as a pioneer, and we have gone through the hardships of the frontier. I do not want to see all of the labor of those pioneers in the great State of Iowa to go for naught.

I believe that we can curb these corporations, and I believe that these monopolies will be curbed, and that the money which they put in there will be used for the benefit of all the people of the country. We do not want to change it; we do not need to change, but we do need that regulation that will keep those people and those men who are expending the money so that the small man who starts has an equal chance with every other man who is doing business, no matter how large he is.

I thank you.

Mr. ANDERSON. I think you were in the commission business, if I am correctly informed?

Mr. AMES. I represented the Cooperative Live Stock Commission Co., which was organized and had offices in Chicago, Kansas City, and St. Joe.

Mr. ANDERSON. About when was that?

Mr. AMES. I think that was in 1903, 1904, or 1905, along there somewhere; I do not remember the dates.

Mr. COLLINS. It was in 1904.

Mr. AMES. It was in 1904, I guess, we were organized.

Mr. ANDERSON. From what you said, did you have in mind your experience as a commission man?

Mr. AMES. Yes. The history of the commission company runs something like this: The body of men were called together, first, by the determination on the part of the regular commission firms located in the several markets of the country to advance commissions to what the feeders and the stockmen of the West believed to be an exorbitant charge under those conditions. They met, and the organization was formed, and I was selected as president of the company and manager of the Chicago yards. The question immediately came up whether or not we would be discriminated against if we proceeded to do business in these yards. Naturally, the way to find out anything of that kind is to ask the question, and so myself with others called upon the several packers who were represented in the yards. We asked them frankly whether they would treat us with courtesy that they treated other of their sellers who were in the business at the yards, and they unhesitatingly said they certainly would. We did not think to go far enough to see whether or not the outside buyers, of which, I said before, there were 41 per cent, would trade with us. We knew that we could not get a membership in either of the exchanges or any of the exchanges, for the reason that the proposition of the commission exchange was to turn back any profits which the commission company made as a commission company, or, to maintain the old price of selling, which was to be $2 less than the advanced price made by the old-line commission men.

Mr. ANDERSON. You say your company was a cooperative proposition, so that whatever profits you made were divided on the cooperative plan?

Mr. AMES. Yes, sir; on the stock-share plan. Everything went on very well. I was out of the yards for about three months on account

of sickness. I was taken sick, I think, three weeks after the yards opened.

The first day I came back into the yards we discovered that we had about 100 loads of cattle, and that our salesmen could not move a single car. There was no market. I remember that I was lying on the couch, hardly able to stand, but I got to the phone and called up the packers themselves. And, by the way, I will say that I have had the opportunity of meeting these gentlemen in a business way, all of them, many times. They are all splendid men; and they are men of their word. They sent their buyers down into the yards, and they cleaned out our pens in about an hour, but the check-up that night of those cattle showed me that they were sold at a loss, and it was the only loss which the commission company's books showed as compared with other sales made. But the packers were the only men in the yard that we could sell to. And why? Simply because the organization known as the "exchange" had determined that we should not do business; in fact, they told us we would not last three weeks, then they said three months. But we finally stayed three years before they succeeded in determining by devious methods that we could not remain longer in the yards.

Mr. COLLINS. The Kansas City house did not last that long, did it?

Mr. AMES. Just about the same length of time.

Mr. COLLINS. I thought it did not last that long.

Mr. AMES. They were all closed out about the same time; and they were all closed out for the same reason.

Mr. ANDERSON. What was the reason, Mr. Ames?

Mr. AMES. They realized, as they do to-day, that if any cooperative commission company were allowed to sell stock in the yards and do business that the day of the commission company's life was over. That is what I think. There is not any question about it. There is only one yard to-day, and that is Omaha, where a commission company of a cooperative character is doing business successfully and they do not have access to anybody but the packer buyers. They have trouble in disposing of all of the feeder stuff which comes to them, and just a word now about the method of handling these feeder cattle. Our friends from the Southwest ship in a drove of cattle there, yearlings or 2-year olds or 3-year olds, and evidently the commission men can not sell all those cattle to the same buyer, because they are of different classes; they must either sort those cattle up themselves and sell them according to grade, or they must sell them to somebody who will do that. There is only one small end of them, perhaps that are beef cattle. Those are taken out and soud, if the commission company takes them out, to the packer. Then he takes off the balance, and they go to the speculator. And I want to say now that in my judgment the speculator has a legitimate place in every market. He should be there, but he should be so confined and so controlled that he will do a square business; he ought to be under the same kind of regulation that any other man representing any other part of the country occupies; and if you have established that kind of a proposition, you will have an equitable market. I do not think there is any market anywhere that ought to say that the scalper or the speculator has no place in it, because he does have a place.

Mr. COLLINS. Mr. Ames, do you suppose it would be possible for them to exist at the stockyards without an organization? If they

would just turn loose and every fellow bid against himself, if they had no organization of speculators and were all bidding against each other, do you think they could stay there at all? They could not make any money under those conditions. The only way they can make any money is by their organization keeping other fellows out and taking care of their business.

Mr. AMES. Of course, there are two ways of looking at the speculator proposition. My own judgment is that any business ought to be regulated that is doing a quasi-public business, and there is not any doubt but what the packers, the stockyards, and the traders' exchange are occupying that position.

To go on, when you have your product there, and there are no men from the country there to buy these small end—the feeder or the stocker end—then the legitimate trader has a position. He may be either inside of or outside of the yards, and that I think should be clearly understood—that any man, whether he belongs to their exchange or not, has the privilege of coming in there and buying that stock; and that I think will remedy half of the evils, at least, or more than half, which Mr. Collins suggests. When you have an open and free exchange of money and products, man with man, big or little, you have the best kind of business competition.

Mr. RAINEY. Mr. Ames, do you think the packers control the commission men, speculators, and traders in the stockyards?

Mr. AMES. I think that they in an indirect way do that. I do not think there is an absolute control between the commission men and the packers. But this will illustrate what I have in mind:

Just before I took the train, Mr. Sykes called me on the phone, and I got my mail and took out the letter from my commission company, and in that letter the first paragraph—the paragraph which the man reads first, if he reads any, and that paragraph discounted this meeting, or any legislation whatever, along live-stock lines. That commission man is not the only fellow in the stockyards who writes letters. They all operate under the same kind of a prospectus, for the same reason; and those letters are going out all over the State of Iowa and all of the other States to every customer: and you can see that indirectly there is some collusion or connection between the two ideas.

Mr. ANDERSON. Do they have to have a permit from the stockyards company to operate—the commission firms?

Mr. AMES. In a certain way, they have to; that is, they have to make a deposit. Every commission company has to make a certain deposit or bond with the stockyards people that they will conform to certain regulations of doing business in the yards. Then they have their pens assigned to them; they have to pay a certain rental for the offices in the exchange, which is owned by the yards company in all instances.

Mr. ANDERSON. Do you think it would be any worse for them to have a permit from the Government than to have to have a permit from the stockyards companies?

Mr. AMES. I see absolutely no difference at all. I can not see any reason in the world why there should be any opposition to a fair-minded business man having to take out a permit that will compel him to open his books.

It seems to me, gentlemen, that the day of that kind of talk has gone. You have been accustomed for years to the bank examiner, and you know what the conditions were before the banks were examined and placed under Government control.

We have gone through the railway commission proposition; you have got the inspector proposition in your packing house, and you all admit, and those who have discussed it here admit, it is a good thing.

Now, why should not any quasi public proposition be controlled in the same manner? That is the question.

Mr. RAINEY. Mr. Ames, do you think legislation creating a commission would make for higher prices for the producer?

Mr. AMES. Not immediately; I do not think it would have very much effect until the machinery of the arrangement, if it was wise, would eliminate the particular things which now confront us. If we go into the matter and discover, for instance, that there is a good reason why we must lose $5 a hundredweight on the hogs which we have fed from corn which was grown in 1918, we will take our loss and we will get down to the bottom and start over again.

Mr. RAINEY. Would you have the commission fix prices?

Mr. AMES. Absolutely not; and I think, gentlemen, that is the worst thing that ever entered into the minds of men.

Mr. RAINEY. Or fix profits?

Mr. AMES. Fix profits—no, indeed.

Mr. RAINEY. You spoke of the producers not knowing when they ship their cattle what price they are going to get when the cattle reach the stockyards. Do you know whether or not the packer when he puts his dressed beef into a refrigerator car and sends it on to the Atlantic seaboard knows what price he is going to receive for that dressed meat?

Mr. AMES. I believe that this is the manner in which that beef is handled, although I am not a packing expert—I have been through the packing houses several times: After the cattle are on the killing beds and are slaughtered and they are taken from the killing beds into the cooling room the inspector comes along and marks the carcasses of these cattle "1," "2," or "3." They are graded on the quality of the carcasses, and those carcasses are marked up in price according to the way they grade; and, as a rule, in my experience, those cattle are sold before they are shipped, unless they go to a branch house.

Mr. RAINEY. It is the branch-house business that I speak of; they are shipped to the different branch houses for sale to retailers and market men who come in and bid, a competitive bidding for the dressed meat?

Mr. AMES. I presume so.

Mr. RAINEY. And when the packer ships that meat he has no greater knowledge than the producers what price he is going to get for it?

Mr. AMES. As a rule he does. There is this difference now between the dressed beef and the beef on foot. The moment the feeder turns his cattle out of the yard he knows he must sell those cattle inside of a few hours, because they are a perishable product and must go: whereas the packer takes his carcass to the cooling room and he

handles it with a cooling system and places those carcasses on the market in a cooled condition; and while that killed meat is a perishable product, and I do not doubt but what occasionally they lose money on it, it is not so perishable as beef on foot; and the packers have a wider range for their dressed meats.

Mr. RAINEY. After three or four days it begins to lose the bloom, does it not?

Mr. AMES. It depends upon how it is handled.

Mr. RAINEY. It is so perishable they must dispose of it?

Mr. AMES. It must be disposed of; I grant you that it is a perishable product.

Mr. RAINEY. They try to dispose of all their beef and clean up every Friday or Saturday in their branch houses, do they not?

Mr. AMES. Yes.

Mr. RAINEY. Another point. You said you believed in "big business"?

Mr. AMES. Absolutely.

Mr. RAINEY. Do you think it is essential?

Mr. AMES. Absolutely.

Mr. RAINEY. And that big units are essential to help producers?

Mr. AMES. Yes, sir.

Mr. RAINEY. That without big units and big business it would be impossible for the producer to dispose of his stock when it arrives?

Mr. AMES. I think I granted all of that in my first statement.

Mr. RAINEY. And the big unit has been a benefit to the producer when he ships his cattle to the market, no matter in what condition the money market might be, the packer pays cash to the producer?

Mr. AMES. Yes; but so does everybody else. When I go out and buy my steers on the Missouri markets or on the range I have to pay cash, even if I have to borrow the money, and because the packers have become so large it is by the nimble manipulation of the dollar that they drop a cent and how much is it?

Mr. ANDERSON. One and six-tenths cents every time it turns over.

Mr. AMES. And if you turn it over fast enough it accumulates rapidly, and it is all right. We do not want the packer to do business for nothing; we do not want the railroads to haul our goods for nothing. But we do want an equitable distribution.

Mr. RAINEY. Suppose you, as a producer, could turn your profits as rapidly as the packer; do you not think you would do it?

Mr. AMES. I tried that out.

Mr. RAINEY. If you could do it successfully, is what I asked you!

Mr. AMES. I find that both ends of the market are controlled by the same man, and I am in the middle and I am apt to get squeezed.

Mr. RAINEY. Is it not human nature for men in business——

Mr. AMES (interposing). Absolutely.

Mr. RAINEY (continuing). To try and make as much money as they can?

Mr. AMES. Absolutely; that is the testimony of the gentleman before lunch. He wanted to have things left alone, because he was in a position now to get a hold of something, perhaps, to the disadvantage of the other man just below him. Gentlemen, that is not fair: that is not according to the system of business which this Government is inaugurated for.

Mr. RAINEY. I do not mean illegitimate profit. It is human nature. You, as a producer, buy as cheap as you can and sell as high as you can?

Mr. AMES. That may be all right, unless I am in such a position that I monopolize one or both ends of the product, and then I must be regulated so that I will not take advantage.

Mr. RAINEY. Do you believe that these five packers are enjoying a monopoly?

Mr. AMES. Will you explain what you mean by a monopoly before I answer the question?

Mr. RAINEY. When you suggested "monopoly" I was asking the question as you understand it.

Mr. AMES. Your idea of "monopoly" and mine might not run together is what I had in mind.

Mr. ANDERSON. "Monopoly" means occupying a dominating place in the industry?

Mr. AMES. That point I am willing to accept.

Mr. ANDERSON. And the packers slaughter the entire surplus of cattle in the country?

Mr. AMES. Yes; practically they do; and in that way they are a monopoly.

Mr. RAINEY. There are 300 independent packers interested in interstate business?

Mr. AMES. Yes; we have a number. I do not know how many.

Mr. RAINEY. The chairman says 240. Let us make it between two and three hundred.

Mr. AMES. We have two or three packing plants in Iowa that are large enough to be considered, I presume, packing plants—one at Mason City, one at Waterloo, and one at Ottumway—which are independent, and those plants are doing some business.

Mr. RAINEY. The big packers come in competition with all local plants you speak of?

Mr. AMES. Yes; they come in competition with those local plants, just as the gentleman suggested before lunch. He has to sell on the market as they do; that is true. But he also shows you where they have some special benefits, and they have always had that, and for that reason they have accumulated a greater hold upon the market. They have driven out the 41 per cent outside business from the stock yards in Chicago, when I was there, until to-day we are practically without competition. You may say that some of those fellows are in there, but they only buy a few loads. Greenwald used to buy 60 or 80 loads a day, and now he does not buy any to speak of. They have so combined and arranged matters, with the assistance of their friends the commission men and in the country, until we have no market of a competitive nature.

I might just exactly as well have sent my cattle to Mr. Swift and not pass them through the yards and have expected to get a fair price without being sold through the exchange as I would to pass them through the exchange.

Last winter I gathered a shipment of hogs from our territory and sent them to Milwaukee. Milwaukee was not in our territory, and we had quite a little trouble to get in there. But they accepted the hogs because they wanted them, and we received just as good values

and a little better by sending them direct than we would to have sent them through the stockyards of Chicago.

Mr. RAINEY. Do you think the packers were responsible for putting your cooperative commission company out of business in Chicago?

Mr. AMES. No, sir. I lay the blame to the fellow where it rightly belongs. It belongs to the commission men, the exchange, and there it should stay.

Mr. ANDERSON. Mr. Ames, does your experience extend far enough into the packing business so that you have any idea whether these independents buy any large proportion of their supply in the stockyards, or do they buy direct from the farmers?

Mr. AMES. Before Wilson took over the Sinclair packing plant at Cedar Rapids, the Sinclair people tried to give us the impression that it was an open market and that we could get just as good values by shipping to Cedar Rapids as anywhere else; and there were a large number—in fact, they secured their shipments to a large extent for some time in the neighborhood.

But this is what the condition of things was at that time. I, as an independent feeder, could not ship my hogs to Cedar Rapids; they would not receive them. I had to sell my hogs to a representative of Sinclair's and ship them through at a price determined before I loaded the hogs out of my yards. There was no competition at that point at that time.

Mr. COLLINS. Why did they not allow you to ship direct?

Mr. AMES. The answer to that question was that they preferred to do business with only one man at one place.

Mr. ANDERSON. My impression is that most of the independents, especially those scattered around in our part of the country, buy their hogs from the farmers direct; they do not buy them from the yards, for instance, St. Paul, Chicago, or Sioux City.

Mr. AMES. That is largely true. The market is quoted the day before. You can sell your hogs to a great many of those places.

Mr. ANDERSON. Those plants, as a rule, pay the Chicago price without any deduction for freight.

Mr. AMES. You pay your freight, but you do not feed.

Mr. SYKES. Let us get this into the record, that the farmers can not sell direct to those independents. They will not buy your hogs down there, will they—the independent packing plants?

The CHAIRMAN. The packers you refer to are absolutely independent of the big five?

Mr. AMES. Those independents are.

The CHAIRMAN. They depend upon the local supply? Of course, they buy a number of carloads out of the yards, but they buy most of their stock in the immediate vicinity, is not that true, and in that way do not come in contact with the big five?

Mr. AMES. To a large degree that is true. But Morrell is large enough so that he has buyers on the Kansas City yards all the time.

The CHAIRMAN. They buy some, but they buy largely from local sources; they are encouraging that to the fullest extent?

Mr. AMES. Absolutely. I believe the more packing houses you have near the seat of production the better it is for all the people.

Mr. HUTCHINSON. As I understand your position, you are in favor of having a commission regulate the packers, commission men, speculators, and producers, are you not?

Mr. AMES. The only thing I would change, probably, would be the word "regulation." [After a pause.] Yes, I think I will agree with that; I think there should be some method whereby they can be controlled. "Regulated" is perhaps just as good a word.

The CHAIRMAN. You would not be in favor of controlling them, but you want to regulate them so that they would have to work under certain conditions?

Mr. SYKES. I just wanted Mr. Ames to explain to the committee that these independent packers do not buy our hogs direct as farmers. I can not ship a load of hogs and bill them direct to Sinclair Co. or Morrell or any of those independent concerns and have them accept and pay me for them; that is all. I must ship them through one of their agents, in his name; not in my own name.

The CHAIRMAN. What about the commission men? Are they restricted from selling to outsiders in the yards?

Mr. AMES. No, sir; not by their regulations.

The CHAIRMAN. But it is not the practice?

Mr. AMES. It is not the practice, unless the buyer is well known. I presume there are men in this room who are well enough known among the commission men in the various yards so that they can go in and buy at first hand anything which they desire and get recognition the same as any other customer, packer, buyer, or whoever he may be. But the average farmer who buys two or three loads of feeders going to an outside market once a year will discover before he has been there very long that he had better employ someone to represent him.

The CHAIRMAN. But even by employing a commission man that commission man can not buy from another commission man; he must go to the scalper?

Mr. AMES. I beg your pardon; he can go anywhere.

The CHAIRMAN. You employ a commission man and the first thing he does is to run you into the section of the scalpers?

Mr. AMES. Absolutely.

The CHAIRMAN. He never takes another commission?

Mr. AMES. No.

The CHAIRMAN. Is it not a fact that they are prohibited from selling to outsiders?

Mr. AMES. I would not say they were "prohibited."

The CHAIRMAN. I am now referring to the Chicago yards prior to Government control.

Mr. AMES. They have this excuse: The fat cattle are supposed to be sold in the morning, and when the bell rings the trading on the fat cattle stops, and then the commission man has time to go to the purchaser of feeder cattle, and, of course, he can not buy them of the commission companies. The only way he can secure an entrance first hand is either to do it himself or to get a feeder buyer from some other yard to go with him in the morning and buy; and he can do that.

The CHAIRMAN. Is it not a fact that the Bureau of Markets modified the rules to the extent that they might sell in full carloads, but not splits?

Mr. AMES. That is what I understand.

The CHAIRMAN. I think you will find that is a fact. Thank you, Mr. Ames.

Mr. ANDERSON. I would like now to have Mr. Patrick address the committee.

STATEMENT OF MR. JOHN E. PATRICK, SHERIDAN, WYO.

The CHAIRMAN. Mr. Patrick, kindly state you full name, residence, and the business in which you are engaged.

Mr. PATRICK. My name is John E. Patrick; address is Sheridan, Wyo. I have been in the cattle business for 20 years, as a feeder and cattle raiser.

I started in the business, gentlemen, under peculiar circumstances. I shall have to tell you my history a little bit in order to get my story before you. My uncles were in the cattle business—Patrick Bros.—in 1879 on the ranch which I represent now, and they were also feeders in Nebraska; and at one time at Des Moines, Iowa. At the time I went into the cattle business the ranch that the feeding was done on was at Nickerson, Nebr., near Fremont, in the Platte Valley. We were raising the corn; we were putting it in the cattle; we were buying the oil cake, grinding the feed, and taking care of these cattle.

The occasion of my going into the ranch and taking charge of the workings of it, under the direction of one of my uncles, was at the time that the estate of the other uncle was being settled, and all this ranch was taken in with the other properties of his estate and inventoried for the court.

After conducting this business for three years a settlement was made of all the property, and the profit we got out of that, with the increment on the land and with the feeding of the cattle that was done there, and the corn that was raised and put into the cattle and sold—in other words, we made 20 per cent on the entire three years and that was all that was made out of the cattle-feeding business in the three years I was in it.

I then went up to the ranch where I am at present located, Sheridan, Wyo., and took charge of it. I took charge of it. I knew nothing of the range business any more than I did of the feeding business, but I have fought the thing out there, and we now have a rather prosperous ranch. Do not think I am making great money on my cattle. I know my land has increased wonderfully, and I think I am making money. I have not a system of accounts that I can refer to and give you exact figures, but everything indicates that if I can hang on a little bit longer I may beat the sheriff to it and have some money.

The uncle who advised me to go up there took me under his wing and took care of me has since died. He has left me by inheritance part of his property. My other partners in the business—for it is a corporation, a small one—are as large owners as myself. At the death of my uncle, after arguments pro and con, we determined to go out of the mixed-herd business. Up until that time my uncle

had advised and had kept a mixed herd of cows and steers and we were raising our own cows, selling our steers as feeders or as beef cattle; and if we had an extremely fat and good cow that was fit for market in the fall of the year when they were ready for market we shipped her. When my uncle died we determined that this herd should be separated into strictly a cow bunch of cattle, raising cattle. This was done for two reasons: First, because we could not find a competitive market for the steers. An occasional scalper or speculator buyer would come up and look the cattle over. There was no prospect of selling to him, because he wanted $10 a head less than the market to take these cattle and ship them to markets; and he was entitled to it, and he could take the chance, or we could take the chance as well as him in getting what they were worth. Or if we sent them to the market at South Omaha, which was our easiest market and our best market, and which we liked the best, for our connections there had always been pleasant, they would go to what has been termed here in this hearing as the "speculator buyer."

I took down as pretty a bunch of 2-year-old and 3-year-old steers as ever went into a feed lot of any man's cattle. They were to be sold to the feeder of Iowa and Nebraska. Our commission firm had promised me there would be lots of country buyers there to bid on them; and when I got up there they were assorted, and 248 head of those cattle went to the scalper, and he and the men who bought them from him to take over in Iowa stood up on the fence and kept them away from their hay so they could get no fill, and my commission man and myself had to chase them off the fence and ask them to stay away until the cattle got through feeding.

And while I am on this feeding question, gentlemen, I want to tell you that that hay that was fed to that bunch—400 head of cattle—was distributed to them in the yards, and in 20 minutes after that hay was distributed those cattle were being weighed—maybe it was a half hour or three-quarters of an hour, but a short length of time. We took it up with the stockyards and asked them about it. They went to their books and said the hay was delivered to those cattle and that was all that could be done about it, as was suggested here yesterday, and I had no dress suit case to take it home in.

Those are the practices that make me come here from my ranch and neglect my business to tell you gentlemen, since some of you, I know, do not understand the circumstances. Some of you may have had experience and know what has been going on, but others do not, and I want to tell you that it has been my experience. My other reason for going into the calf business strictly was to get a buyer for our product where we could keep them on our feed and sell them or keep them, as the case might dictate to us. Calves that I sold on the market in South Omaha last fall, because I was compelled by the drought in our country to do so, netted me $22 and $23 a head, sold the previous year in my yards, in February instead of November, only carrying them from November until February, for $55 a head.

The market is all right; it has got to be there, and I want it there; but I would like to have it as close to my door as I can, so that I can feed my cattle upon my own feed and tell the man he "does not

need to take them," because the price does not suit me. I can not do that on any market I may ship to, because after they get on the railroad train there is not anything in the world yet to say about them from the minute I put them up the chute.

Mr. RAINEY. When you sold those calves at $22 and $23 it was on account of the drought?

Mr. PATRICK. They were shipped on account of the drought: they were sold on the market at a fair price, and that is all right.

Mr. RAINEY. You must attribute that to the drought?

Mr. PATRICK. I blame that on the drought compelling me to let them go; I wish I had them now. But it shows you the difference between the cattle I could keep at home and get my own price and those I had to send to market that were controlled by the other fellow.

The CHAIRMAN. Can you approximate the loss?

Mr. PATRICK. No, sir; I can not. I have not any of those figures with me.

This cow business strictly, so as to enable me to sell these calves on my own land, had another feature in it. I would not raise many cattle to sell if I kept a mixed bunch, and if I kept a straight-cow bunch I had a greater quantity, because I could not increase the size of my herd running on the forest reserve land, where they would not let us put on so many cattle, according as we increase our permit by using the forest from year to year, and that is liable to be decreased on us in the amount of cattle allowed any time that the Forest Service sees fit.

The proposition of whether the Government or some agency shall regulate the packer, etc., is one that has caused me a great deal of thought in the last few years, and most every time I meet one of my neighbors, or a man interested in the business with me, our conversation usually drifts that way. I may point it out and he may refer to it. It usually results, as Mr. Sykes says, that this man in my country may produce 15 head of cattle and he may produce a carload. He may be a very large producer of cattle. But he usually comes around to the statement that he knows there is something wrong with the market; he does not know exactly what, but he wishes the Government would take a hand in it and help him out. It is a big job for you, gentlemen; I appreciate it and I hope you will be able to suit everybody, which you can not do.

The blue book of propaganda that has been sent out is a very attractive little pamphlet. The brown envelopes that come from you Congressmen and some of our Senators with your initials on them arrive in the mail with the blue book. The blue book and the brown envelopes both go to the fire very often, I will grant you. But the kid coming in sees the blue book. He has seen lots of brown envelopes, and he can not understand them. But the beautiful pictures of the Chicago stockyards, the stockyard gate of Armour & Co., or Swift & Co. are all exhibited in the book in a very attractive form. The boy sees it, and he says, "Why, Pa, there is the place where our cattle was sold last fall, isn't it?" And the old gentleman picks up the book and reads it; and the brown envelope will go to the fire, no matter what is in it. That is usually the way it turns out.

The automobile that Mr. Rainey referred to this afternoon is an adjunct to our business. We must have it.

Mr. RAINEY. There are not as many people out your way that own automobiles as there are in the State of the chairman, Iowa?

Mr. PATRICK. No; but the road tax that you have appropriated money for, or the road money that had been appropriated to go with our State money is a good thing. Our State has appropriated money also to meet the demand of the Government money and our money will be paid back by the road tax on the automobile that we run for the benefit of our business, and it is a mighty fine law we have in our State that will let us off by paying it on the wheel tax of our automobile. And if I could get Mr. Rainey behind a Ford car stuck in the mud, I am sure he would not criticize a poor farmer for having one.

Mr. RAINEY. All you have to do is to extend an invitation.

Mr. PATRICK. To Mr. Rainey?

Mr. RAINEY. To Mr. Rainey.

Mr. PATRICK. I was just about on the point of doing that.

Mr. RAINEY. I would like to see everybody in the United States own an automobile.

Mr. ANDERSON. You know this idea of extending invitations to people to go to Atlantic City on a junket seems to be in ill repute. You want to be careful about that.

Mr. PATRICK. I am going to accept this kind of an invitation, Mr. Anderson, if you will allow me to do it: I read just before I came down here the entire proceedings of this committee or the Committee on Agriculture of the House of Representatives, of which Mr. Haugen is chairman, in which they in a joking manner, I now understand, but I did not when I read the report—to the effect that a junket be formed next summer and you all go up Northwest and see the forests. If you had done that you might make a junket and have it include the cattle country and learn where the cost of the calf commences; and I will delegate myself as one to show you gentlemen, those who do not know, both the cow and the bull, and we will offer you a good drink of spring water.

I thank you.

Mr. ANDERSON. I understand that Mr. Rainey desires to put some more witnesses on the stand, although it is almost 5 o'clock.

Mr. VOIGT. What were those two bells?

Mr. ANDERSON. I should like to give these gentlemen a chance to go on to-night, because they want to get away.

STATEMENT OF MR. F. M. CURRIE, OF BROKEN BOW, NEBR.

Mr. CURRIE. Mr. Chairman and gentlemen, I live in Broken Bow, Nebr. I have been in the cattle business since 1889; and at the present time I own a ranch in Cherry County, Nebr. I am representing myself, although this Western National Stock Growers' Association, of which I am a member, and a member of the board of directors, is on record as opposed to the Kenyon-Kendrick bill. Mr. Chairman, I beg your indulgence for a few moments. I promise you I will be brief.

I have been in the cattle business in central Nebraska since 1889. I believe that the most of the evils complained of have never hap-

pened. I believe that a large per cent of the balance can be explained on entirely natural grounds.

I thought it might be interesting to the committee to have a statement going back a good many years. I want to say that with the exception of four years, I have a record of the cost of handling my cattle since 1892. I lost my books by fire for four years. This statement that I am giving you now is taken from my books.

In 1893 it deals with 300 head of two-year-old steers purchased on the 18th of February, 1893, and sold on the 18th of September, 1895. They were two-year olds when I bought them. They were four-year-olds when I sold them. Now the original cost of the 300 steers, averaging 642 pounds each, was $2.40 a hundred. The total cost was $4,992.20. At that time I owned no land but hired people to keep these cattle. It was our custom to have them fed in cornstalk fields after the corn had been taken out; they were allowed to run to straw and cornstalks. One reason why beef is higher now is that through all that section of the corn belt we have a cornstalk disease which has prohibited us from using that kind of feed. We can not use it any more.

These cattle cost me from the 18th of February to the 1st of May, at 50 cents a month $273.75—50 cents per head per month.

Mr. ANDERSON. What is that for, that 50 cents per month per head—pasture?

Mr. CURRIE. No; just for keeping them in the wintertime. They were running on cornstalks; they were fattened, although they were not fed hay, although hay was worth $2.50 to $3 per ton in that part of Nebraska. I lost one head in shipping. I put out in the spring 299 head; hired them pastured at $1 per month from the 1st of May to the 1st of October. I lost one head during the summer, and that reduced the number of the cattle to 298 head. It cost me to summer these cattle $298—a dollar a head. I took them out of the pasture in the fall, on the 1st of October, and paid for keeping them until the 1st of May $3 per head—from the 1st of October until the 1st of May—making the cost $876.

That winter I lost 5 and the next summer there was only 292, or $1 a head for the summer. The next winter it cost me $3 a head to winter them, or $876. The summering cost $292 again.

Now, I have charged up taxes which for the two years amounted to $271. I fattened those cattle with 306 bushels of corn that cost 26 cents a bushel at a total cost of $79.50. I have charged against this bunch of cattle the labor of one man at $18 a month, and $8 a month for his board. I want to call the attention of the committee to that item later on. I also have a statement as to what it costs me at the present time. Then it was $26 a month, or $464 total.

My incidental expenses were $156.75; my interest on the original investment at 6 per cent was $474.53.

Mr. ANDERSON. Did you get money at 6 per cent at that time?

Mr. CURRIE. Yes, sir; I fortunately had been raised in Ohio, and I borrowed money in Ohio where interest rates were much lower. The current interest rate in Nebraska at that time was 10 per cent. Now, my interest on subsequent investments—that is, what I paid for feed, etc.—was $242.

The total cost of these cattle was $9,576.37. I sold them on the 18th, I think it was, of September, 1895, weighed them 30 miles

from the ranch where they were running, at $3.10 a hundred. They did not go to the market. They were sold to an Illinois or Iowa feeder. They brought $11,135.85. The total profit for two years was $1,555.80.

Now, here is another matter that I think is quite interesting. That year, that same year, I bought an Emerson hay rake, 12-foot, which cost me $12. The same rake now costs $78. I could get a Deering mower for $38 at that time at the ranch; the same costs me now $125. My saddle cost $35 then; the same kind of saddle, manufactured by the same firm, costs $85 to-day. A wagon such as we used cost $50 then; at the present time it costs $150. A set of harness cost me $27.50; the same kind of harness now costs me $90. My labor cost me $15 per month and the cost of boarding a man was $8 a month. A 10-foot water tank cost me $10; it now costs me $65. I bought six cow horses that year for a total price of $90 for the six, or $15 a head. A good cow horse now in our market brings $125.

Now, I thought that our community and our men who were engaged in the cattle business were fairly prosperous and that they were getting along about as well as anybody else, until I came down here and heard the evidence, and I have about concluded, and you have about convinced me, that we are a lot of paupers and that we ought to change our business.

However, I have a few names that I want to call attention to. Mr. H. B. Andrews, of the county of Custer, at that time had a small farm and was handling a few cattle in a small way. He died three years ago and left an estate of $280,000.

Westcott & Gibbons were in business at that time, and as good cow men as I have ever known in the United States. Westcott died four years ago, leaving an estate which is now worth $600,000.

Mr. ANDERSON. Do we understand from these figures that those men all made their money out of the raising and feeding of cattle?

Mr. CURRIE. That is the only business they had.

Mr. ANDERSON. I would like to have you answer the question, if you will. Do you know that this money was made in the cattle-raising and cattle-feeding business?

Mr. CURRIE. Why, part of it was. It was the only business they had. Of course, I understand that part of it resulted from the increase in the value of the land which they had during the time that they were feeding.

Mr. ANDERSON. Do you not know that a very large portion of it resulted from an increase in the value of the land and not from the value of the stock?

Mr. CURRIE. Not in these cases I have read. That is probably true in many cases.

Mr. COLLINS. What has been the advance in the price of land in that country in the period you refer to, from 1895 to 1917?

Mr. CURRIE. In 1895 the best land in Custer County was selling at from $10 to $15 an acre.

Mr. COLLINS. What was it worth in 1916?

Mr. CURRIE. This followed the drought season of 1894, when the country was 20 per cent abandoned.

Mr. COLLINS. Well, what was it worth in 1916, then?

Mr. CURRIE. I presume that the best lands at that time would have brought about $100 an acre. At the present time this land is selling probably at $200 or $250 an acre.

Mr. COLLINS. Well, that $90 advance in the value of the land, if a man had enough of it, would account for a great deal of it?

Mr. CURRIE. It would account for some, but I do not see how it would detract from cattle profits.

Mr. RAINEY. Did that increase in the value of the land result from the raising of cattle?

Mr. CURRIE. It was responsible for the settling of the country and the development of the land by all of our citizens, whether they were lawyers or stock raisers or whatever they were.

Now I come to the name of R. M. Faddis. I have listened to some evidence here from Wyoming. R. M. Faddis in 1887, riding one broncho and leading two—owner of three horses and one saddle. He purchased his ranch in Cherry County two years ago, and the ranch and the cattle cost $410,000. R. M. Faddis lives in Sheridan, Wyo., now, in a beautiful home, and is rated at one and one-half million dollars.

I do not want to give you much of this, but here is a man with whom you are all acquainted, John B. Kendrick. At the time I speak of he was living in the brakes of the Cheyenne River in Wyoming. He told me himself that he lived there four and a half years and never went to town. I want to pay as high a tribute as I can to John B. Kendrick. No man stands better in Wyoming. He has not made his money by tricks, but in honest, industrious, hard work. He lives in a home overlooking the valley in which Sheridan is built, and his home, I presume, cost $50,000. John B. Kendrick is variously estimated in Wyoming at from $2,000,000 to $5,000,000.

Now, I just want to say, in passing, that I do not know of a successful cattle man in Nebraska or Wyoming that was not in the saddle 30 or 40 years ago doing the work of an ordinary cowboy. I am saying this simply to refute the impression that the industry in which we are engaged is not a profitable industry. You must judge things by the results—by what people do in it.

Mr. ANDERSON. If you will take the trouble to read the history of Swift & Co. and Armour & Co. and the growth of their assets, as compared with the gentlemen you have just mentioned, I think that you will find that your cattlemen are a bunch of pikers at making money.

Mr. RAINEY. But they have covered more territory than you cattlemen.

Mr. COLLINS. It is said that Jay Gould went to New York with a mouse trap, and you know what he did. Do you know that John B. Kendrick made all this money out of cattle? Are you speaking for John B. Kendrick? Do you suppose he delegated you to tell us what he is worth?

Mr. CURRIE. I said he was reputed to be worth that.

Mr. COLLINS. You do not know whether he is worth a dollar, do you?

Mr. CURRIE. No; but he is rated at from three to five million.

Mr. COLLINS. A man in the cattle business being reputed to be worth so much does not amount to anything. You know there are hundreds of cattlemen owe more money than they have got.

Mr. CURRIE. I do not know that.

Mr. COLLINS. You know it, if you have been in the cattle business.

Mr. CURRIE. I know I have done it.

Mr. COLLINS. And you know hundreds that have done it, too.

Mr. CURRIE. We will skip a long term of years and I will give you another statement that will perhaps explain some of the things that have been testified to here. You can go into any record and pick out what you want to take and prove almost anything.

Here is the feeding of 500 cattle in 1918–19. I purchased some of them from R. M. Faddis & Co.; some of them I bought from my neighbors around home.

There were 500 head of them and they cost me $65 a head, or $32,500. I want to say at the present time this ranch is located in the section known as the sand-hill portion of Nebraska. We do not raise any grain to speak of, and do not feed any, but we have wild hay and clover and timothy mixed, which grows on the low ground, and this hay is what we feed to our cattle in the wintertime. A flat charge is made of $15, because I hired these cattle kept outside of my regular herd. The cost for keeping the cattle from the 1st of October until the 1st of May was $7,500.

We summer these cattle on what is known as the Niobrara Forest Reserve. We pay the Government a fee of $1.05 a head for seven months.

Mr. ANDERSON. Is that the total fee for seven months, or is that the annual rate?

Mr. CURRIE. It is the total fee for seven months. We do not range out cattle in the wintertime in the sand hills. If we left them there longer than that, we would have to pay more. I have charged 95 cents per head for labor, and so forth, for looking after these cattle. We own the wells, windmills, water tanks, and fences. All these facilities on the forest reserve belong to us, but that is covered in the 95 cents a head, and we have a permit to run 2,740 head of cattle.

Mr. COLLINS. Is that on a forest reserve or an Indian reservation?

Mr. CURRIE. The Niobrara Forest Reserve.

This came to $1,250. The interest on the original investment this time, figuring at 8 per cent, was $2,400. Our taxes are exceedingly low; the tax on the 500 head of cattle was only $200; the interest on the subsequent investment was $800. I have charged one man's labor to this at $60 a month and $30 for his board, making $90 a month, or $1,080. I have charged incidental expenses of $500. I have charged supervision, $1,000.

Mr. ANDERSON. May I inquire how you arrive at those figures? Are they estimates or actual figures?

Mr. CURRIE. The incidental expense is not an estimate but taken from our books, and I charge $500 because that is the proportionate share of 500 head of cattle, which is approximately $1 a head—incidental expenses.

Now, the supervision or overhead—you can call it whatever you like—I charge at $2 a head. That is probably little excessive. That makes the total cost $37,230.

Now this, I want to state, was the fattest year I have had in the cattle business in 30 years, and it came about for this reason, and that

will explain a good many things that you heard here, Mr. Chairman: In my first experience in the cattle business we were unable to fatten cattle fat enough to sell them for beef on the market. I think that up to this year, that is 1919, I never did ship a carload of grass-fed steers from our part of the State. They could do it in Wyoming and they could do it in Montana, but we could not do it in Nebraska. However, as you all recollect, when the war came on, it became a question of the weight of the carcass rather than the finish of the animal, and anything that would dress out the weight desired brought a good price, and, for the first time in my life I shipped cattle to the Omaha market and sold them direct to the packers—I mean steers—direct to the packers for beef. I have not gone into this further than to say that part of these cattle were sold at home. They were sold to local feeders to be finished.

Mr. COLLINS. What year is that that you marketed them?

Mr. CURRIE. 1919; we started shipping these cattle on the 17th day of July, 1919, and my first shipment of 6 carloads sold for $15 per hundred; my last shipment sold for $13.50 per hundred.

Mr. COLLINS. What was the weight of those cattle?

Mr. CURRIE. The first shipment weighed 1,070 each, I think.

Mr. COLLINS. And brought how much?

Mr. CURRIE. $15 a hundred.

Mr. COLLINS. They must have been good.

Mr. CURRIE. They were not extra good but they happened to strike the market at the right time.

Mr. ANDERSON. How much time elapsed between the first sale and the last?

Mr. CURRIE. The last sale was made to a local feeder at $12.50 a hundred and was made on the 1st day of October, but the delivery was not made until about the 1st of November.

Now, speaking of violent fluctuation I want to say that on the 17th day of July we had 6 cars of cattle on the market that sold for $15 per hundred. I immediately went back to the ranch with the foreman and we cut out six cars more as nearly like the first as we could get them. They were so near alike that there was only 7 pounds difference in their weight on the market and they sold for $1.50 a hundred less, or $13.50 per hundred.

Mr. ANDERSON. Within what length of time?

Mr. CURRIE. Just seven days—the 24th. These cattle averaged $137.66. The total number—I have only got 498 of them. I did not lose any by death that I know of, but there are two missing that we may find. The total receipts were $68,800 or a net profit on this 500 cattle of $31,570.

Mr. COLLINS. You are sure that it was last fall that you sold these cattle—1919?

Mr. CURRIE. I do not mean that; it was in 1918. I beg your pardon.

Mr. COLLINS. You are the only man I have heard of to make any such money as that in 1919, according to that statement of yours.

Mr. CURRIE. My figures are not wrong, but I gave you the wrong dates.

Mr. COLLINS. I knew that that was not the price in 1919.

Mr. BRISSENDEN. Mr. Chairman, may I ask the gentleman a question? The cattle you sold to a feeder in October for $12.50—do you know what became of them? Can you give the history of them?

Mr. CURRIE. I sold them to George Mulligan at $12.50 a hundred, and he fed them, I think, to the following June.

Mr. BRISSENDEN. Was that 1919?

Mr. CURRIE. No.

Mr. BRISSENDEN. Oh, I beg your pardon. I thought you said those were in 1919.

Mr. CURRIE. No; he sold them in the spring of 1919.

Mr. BRISSENDEN. Do you know what he got for them?

Mr. CURRIE. I have not said what he got for them.

Mr. BRISSENDEN. These were 1918 cattle that he sold?

Mr. CURRIE. Yes; 1918.

Mr. BRISSENDEN. Well, that straightens it out?

Mr. CURRIE. Yes; I had the wrong page there.

Now, I am coming down to the dates my friends have been talking about, and it is a different story.

Here is a bunch of 434 two-year-old steers which I bought in Kansas City December 10, 1918. I lost one sending them home. They cost me laid down at my station $77.56; they cost me $9.60 a hundred.

Mr. COLLINS. How much?

Mr. CURRIE. $9.60 a hundred and weighed 807 pounds each, I think; I have not that down here. The total cost was $33,651.04. I fed these cattle 536 tons of hay, which I estimate at $8 a ton.

Mr. COLLINS. That was in 1919?

Mr. CURRIE. Well, 1918 and 1919.

Mr. COLLINS. At how much per ton?

Mr. CURRIE. $8.

Mr. COLLINS. Out in Nebraska?

Mr. CURRIE. Yes, sir; and 30 miles from a railroad. That was the current price in the neighborhood.

Mr. ANDERSON. Was that prairie grass or hay?

Mr. CURRIE. If you will come out to Nebraska, I will show you that prairie grass is just as good as hay, but to answer your question——

Mr. ANDERSON (interposing). I do not know about the prairie grass in Nebraska, but I know about prairie grass in western South Dakota. We would not call it hay in our country.

Mr. CURRIE. To answer your question, I will state that this is not upland hay, but grows on the subirrigated land and is mixed with clover and timothy. However, we consider this lowland grass put up in the month of July just as good as the clover, timothy, or alfalfa, and we have fed all of them.

I fed these cattle just before putting them on grass 700 bushels of corn that cost $1.50 a bushel, or $1,050. My labor in the feeding of these cattle, one man at $90 a month for five months from the 10th of December until the 1st of May. The labor charge for the summer months is included in the pasturage of 95 cents a head per month. My interest was $2,651.75; my taxes were $173.20; my incidental expenses at $1 a head amounted to $433; and my overhead at $2 a head amounted to $866, making my total cost on these cattle $43,662.99.

Mr. ANDERSON. That would be how much higher than your cost in 1918?

Mr. CURRIE. Practically the same thing. On October 1 I sold 25 to the same feeder who bought these other cattle at $12.50 a hundred, which is $2 less than I got from the same man a year before. However, I ought to explain that these cattle were not as good as the cattle that he bought the year before. I sold, on November 1, 40 head that weighed 940 pounds at $8 a hundred for a total of $3,384. I sold 120 head that averaged 1,011 pounds at $10 a hundred at a total of $12,132. I sold 18 head that weighed 870 pounds each at $8 a hundred making a total of $1,252,80. My net profit on that investment was $3,101.80.

Mr. COLLINS. You made that much?

Mr. CURRIE. Yes, sir. To be perfectly fair with the Congressmen and with the committee I want to say that while the steer business has always paid me a little, and did this last year, the cow business, and on a large scale, has never been a success with me. I always lose money in handling cows.

We had 2,100 head of cows two years ago. We cleaned them up this fall and sold every one I had in my cow herd. Taking the invoice when I put them on the market in May and what they cleaned up at when they were sold this year, they lost me $40,000.

They brought $40,000 less than I invoiced them in May. I do not mean that is a loss on the whole deal. What I would like to have the committee understand is that you can pick out here and there transactions that show a loss or show a profit, but the man who goes into the stock business, in our part of the State at least, and who uses the same judgment and same industry and same economy as he does anywhere else, will succeed in the business as well as or better than he would in any other line of business.

Mr. ANDERSON. May I ask you if you regard your costs as high or low?

Mr. CURRIE. Compared with my neighbors?

Mr. ANDERSON. Compared with other sections of the country.

Mr. CURRIE. I think they are low. That is the reason why I am there.

Mr. COLLINS. Extremely low, is it not—your hay at $8? There was no $8 hay anywhere in the West last year that I know of except in that part of the country.

Mr. CURRIE. No; that is true except perhaps some points farther west. Our grass is cheap, our land is cheap, and this all helps.

Mr. COLLINS. What is land worth in that country per acre?

Mr. CURRIE. That is rather an indefinite question, Mr. Collins, because we have a good many different kinds of land. Our lands are divided into two classes: First, the sand hills, pure white sand but grassed over; and the other is the lowlands or subirrigated lands lying between the hills in places.

Mr. COLLINS. Do you own any land there at all?

Mr. CURRIE. Yes, sir; we own 14,000 acres.

Mr. COLLINS. In figuring the cost of your cattle, do you figure interest on your investment in that land?

Mr. CURRIE. No, sir; because I accounted for everything, even for the hay, which is the product of the land. We run our cattle on the forest reserve——

Mr. COLLINS. You allowed $8 a ton for the hay?

Mr. CURRIE. Yes, sir. But I have not answered your question. What we call a well-balanced ranch, composed of sufficient sand hills to pasture the number of cattle in summer that you can winter on your hay, is worth about $20 an acre, or $25 for the choicest.

Mr. COLLINS. How many acres do you have?

Mr. CURRIE. Thirteen thousand seven hundred and eighty-seven, valued at from $20 to $25 by the acre.

Mr. COLLINS. You have about a $250,000 investment at that price?

Mr. CURRIE. Yes, sir; and our hay at that price will pay the interest on that investment. I sold the hay on the ranch for $45,000.

Mr. COLLINS. Then you made more money out of your hay than out of your cattle?

Mr. CURRIE. Yes, sir; that is why I did it.

Mr. COLLINS. You would have been better off not to have had any cattle last year.

Mr. CURRIE. That finishes this part of the statement. Now, I am not a statesman and I am not going to make any suggestion, but there are some things that I want to say in a general way. There has been a good deal said about the commission men. I go to South Omaha, and I have my choice of some 270 men that I can ship to. I think that is the number. There are not that many commission houses, but I mean men.

Mr. COLLINS. Is there that number of men doing business there?

Mr. CURRIE. I am giving this simply from recollection. I may be entirely off in regard to that, but I mean that there are a large number of men, although I do not know the number of firms. I have shipped in all my experience to but two firms. I know practically all of the commission men doing business in South Omaha and they are human beings. There are good and bad among them. Most of them are good men. I have never had occasion to have a lawsuit or a serious dispute with any commission house since I have been in business.

Mr. ANDERSON. Have you generally done business with the same firm?

Mr. CURRIE. Yes, sir; practically all the time. For the last 16 years I have been doing business with Cox, Jones & Co. and previous to that time with Laverty Bros.

Mr. ANDERSON. Then these other 269, for instance, did not cut much figure in your business?

Mr. CURRIE. Pardon me; I did not say 269 firms. There are not that many. What is your question?

Mr. ANDERSON. I was just saying that these 269 other firms did not cut much ice in your experience?

Mr. CURRIE. No, sir; very little.

Mr. RAINEY. You do not mean by that you could not have dealt with the other 269—they would have dealt with you? The two firms you have mentioned treated you right and you stayed with them? Is that right?

Mr. CURRIE. Yes, sir. I want to say that I do not change much, anyhow. I am dealing with the same bank that I dealt with 25 years ago, and I have a man working with me now that started with

me at $15 a month and he has been with me 22 years, and he is now drawing $200 a month.

As far as the legislation proposed here is concerned, I am not a statesman. That is your business and not mine. I am only giving you my opinion for what it is worth, and that is this: So far as I have come in contact with the packers I have been treated fairly. I do not know one of them personally, and if any of the Big Five came into this room I would not know who he was. I have always been well treated. I have always had my difficulties adjusted when I have had any. I have never had any trouble about hay in Omaha, with the exception of three or four times and I have insisted that the hay be taken out and used for bedding and fresh hay put in its place, and it was done promptly.

Mr. ANDERSON. You are a pretty large operator. Is it possible your treatment was due to the fact that you were a large operator and that the smaller fellows did not get the same treatment?

Mr. CURRIE. No. You do not get my idea at all, because I am not a large operator. That is, I was not. I started shipping one carload in a year, and my business has grown from that to a good many carloads, but I was a small operator for a great many years.

Mr. ANDERSON. You were running 300 head in 1893. That is not very small.

Mr. CURRIE. Yes; but I began in the cattle business earlier than that, you know.

Mr. RAINEY. These commission men treated you all right when you were a small operator?

Mr. CURRIE. Yes, sir; and I have not noticed any particular difference. Now, I have never seen any need for protection from anybody around the yards any more than I have against my neighbors at home. If you are going to license the packers and then license the commission men I want you to license my neighbors, who are selling me corn and other stuff at home. To illustrate: In 1896 I was feeding cattle——

Mr. ANDERSON (interposing). We do that. If they form a cooperative association by incorporating themselves, we do license them. They have to get a charter from the State in order to do business.

Mr. CURRIE. Congressmen, what I mean is simply this: I do not see any more need to license one class of men any more than to license another. The grocer who sells me sugar——

Mr. ANDERSON (interposing). You do not see any difference between the business as conducted by the commission men and the man who is conducting a grocery business on his own money?

Mr. CURRIE. Well, there is a little difference, but the grocer at the same time may be a commission man.

Mr. ANDERSON. He may, but as a general rule he is not.

Mr. CURRIE. I can take my butter there and I leave my potatoes with him and he sells them and he pays me the money after they are sold.

My theory in this connection, gentlemen, is just simply this: I have stated it before. I do not recall the exact date when these investigations began, although I have a recollection that James R. Garfield was at one time appointed to make an investigation, and he rendered a verdict, I believe, that he found no trace of a monopoly in the

meat trade. We have had investigation after investigation, and these have all cost the people of the United States a lot of money. Nobody claims for this legislation that we will get more for our cattle, because if you do, the fellow at the other end of the line is insisting that he get his meat for less. If we get more the consumer must pay more. It is a question of give and take between the producer and the consumer.

The question of lowering the price of beef on hoof and at the same time lowering the price of the finished product to any appreciable extent is a question of political economy that nobody has ever solved and probably never will.

What is best for the whole people of all the United States? Because the whole United States is knit together by a community of interests, you can not disturb one without disturbing them all. You can not ruin one without ruining somebody else. The packers are simply one of the links in a chain. We raise the cattle. Down in Iowa and Illinois the feeder finishes them for the man who desires high-class beef. The packer is just one link in that chain. If you can fix the situation so that no man will get more than his proportionate share, it does not make much difference what they get—what anything costs. I sold cattle in 1893 and 1895 for 3 cents a pound, and I have sold to the Iowa and Illinois feeders good steers for 2½ cents a pound, and that was the time when they were making money. They were making money because they were buying cheap from us and that was the time we were all kicking because we were selling our cattle so low. But those things can not be controlled by anything that you can do here in Washington.

I can understand how a monopoly can be carried on in manufactured articles, such as barbed wire or something like that where a small group of men can get together and control the output. Show me how to control the sun or the rain, or show me a group of men that know how to do it, and I will grant you you can create a monopoly in the beef trade. The brightest mind in America—packer, producer, or consumer—can not tell within 1,000,000,000 pounds, or 10,000,000,000 pounds, the number of pounds of beef that will be produced next year.

Mr. ANDERSON. I am not so sure but that some one can tell you within a billion pounds, as far as that goes. There are people trying to do it and figuring on it all the time.

Mr. CURRIE. You will have a hard time convincing me.

Mr. GRAFF. Senator, you being an old citizen of Nebraska as well as myself, in your testimony you have not referred to what the average farmer of Nebraska was doing. Now, you certainly are willing to admit that you do not belong to the average farmer class?

Mr. CURRIE. I do not know why, sir; I was among the average at one time anyhow.

Mr. GRAFF. Now, you have not told us anything about how many of these cattle you raise.

Mr. CURRIE. I did not raise many of the cattle that I have reported here. I gave those figures simply because the line of testimony was reporting on that kind of stuff. I did say, however, that my cow herd on a large scale had always lost me money. On a small scale, when I only had 50 or 75 cows, I could make some money raising cows.

When I got up to 1,500 or 2,000 I lost money, because I could not get a profitable price.

Mr. GRAFF. You, Senator, certainly are fairly well acquainted with the laws of Nebraska?

Mr. CURRIE. Yes, sir.

Mr. GRAFF. I do not recall that you were opposed to the guaranty bank or that you was opposed to the railway commission being created to take charge of public utilities and corporations. Of course, I do not know; perhaps you were. If you were, it seems to me that your contention now would be well founded that you are on general principles opposed to anything of that nature.

Mr. CURRIE. Of course, there is a difference between the bank and the commission men—a vast difference.

Mr. ANDERSON. The only difference is that one is handling other people's cattle and the banks are handling other people's money.

Mr. CURRIE. No; I can see a marked difference. I want to answer your question, however. I was in favor of the bank-guaranty law, and I raised no particular objection to the State railway commission. I can not see where the people of the State during the last 12 or 15 years have got any benefit from it. I want to say that some men who have served on that commission—one of them, I think, has recently introduced a resolution before the convention—the State constitutional convention—to abolish the State railway commission, and I hope they will.

Mr. GRAFF. That was Senator Apperson, from Clay County. He was in the senate at that time and heartily in favor of the legislation.

Mr. CURRIE. Yes; he is reported now to be against the State railway commission.

Mr. ANDERSON. That is on the ground, I take it, Senator, that the entire matter should be regulated under a Federal commission.

Mr. CURRIE. Yes, sir; that would be my reason, Congressman.

Mr. RAINEY. Senator, what is your distinction between banking and the live-stock exchange business?

Mr. CURRIE. It is just this: I take my money to the bank and leave it there entirely on the reputation of the bank, and it is there for me when I wish to call for it. I send my cattle to a commission company for a definite purpose, to be handled for me, and that is an entirely different proposition. The banker has no control over my money.

Mr. ANDERSON. No; but the commission man gets hold of it when he sells your cattle, and your commission merchant has the same obligation to turn it over to you as the bank does when you turn in your certificate of deposit and demand it.

Mr. CURRIE. I do not recall—perhaps Mr. Graff may—a single instance in the yards in South Omaha in the last 20 years when the shipper has lost a cent, when his money has not been accounted for promptly. I will admit that there are human beings who practice things that are not exactly fair, but you have exactly the same recourse that you have when you are trading horses with your neighbor.

Mr. GRAFF. But that being true, Senator, why should it be so objectionable to embody this in national legislation?

Mr. CURRIE. It is just because we are the most expensively governed people on the face of this earth. I think that is true. Not

even in Russia, when they had bureaus for everything, spent as much money as we do. This is just one of a number of things that are adding to the cost of all the operations of our Government.

Mr. ANDERSON. On that theory perhaps we had better abandon the Government that we have and get the soviet system of Russia, and have it run that way instead of the way we do.

Mr. CURRIE. No, sir; I would not, under any circumstances, consent to the abolishing of the Government of the United States.

Mr. RAINEY. Our Government taxes its citizens right now higher than any other country outside of Russia?

Mr. CURRIE. Yes, sir; and I think we probably get more out of it.

Mr. RAINEY. Did I understand you to say that you did not believe there is or was any monopoly or restraint of trade in the meat-packing industry?

Mr. CURRIE. No; I did not say that. I said that James R. Garfield reported that. That is a hazy recollection. I have not looked it up.

Mr. ANDERSON. I think it is very hazy. The Garfield report was generally considered, I think, quite favorable to the packers. In 1903 the packers were restrained by a Federal injunction, which was evidently made on the theory that they were then in restraint of trade. Now, I doubt that the Garfield investigation went to any extent into the question——

Mr. CURRIE (interposing). Pardon me, but was not that the gist of Garfield's report?

Mr. ANDERSON. It may have been; I do not know. I hardly think so. I have read it very recently, and I do not recall.

Mr. CURRIE. I have not read it since it was published, but I am quite sure that I am right on that proposition.

Mr. ANDERSON. My recollection is that the report showed at that time, as the facts are now, that the five large packing corporations at that time slaughtered a very large proportion of the cattle that came to the market, as they do now. I do not recall that there was any question of collusion involved in the report; although the report did say what has subsequently been found, that the costs of the packers then were more or less arbitrary and did not represent the actual costs of the business. Whether that was done for the purpose of deceiving the public as to the money they made I do not know, and I do not think the report stated.

Mr. CURRIE. All that I care to state further is simply this: The packer is simply one of the links in this great producing and marketing chain. He has the best system we know anything about. I have lived in the country where they slaughter beef locally, where they have no large packers, and a return to that condition is unthinkable and impossible.

Mr. GRAFF. Is it not human nature, Mr. Currie, that no one likes to be regulated by law?

Mr. CURRIE. Yes, sir. I would not want you to put a guardian over me, although I might need one.

Mr. GRAFF. Have you any cattle at the present time?

Mr. CURRIE. Very few, sir; about 100 head.

Mr. GRAFF. You found it more profitable to sell your hay this year than to run cattle?

Mr. CURRIE. Yes, sir.

Mr. GRAFF. A good many people have come to that conclusion, have they not?

Mr. CURRIE. That was brought about, however, by conditions in Montana and Wyoming which made our hay high.

Mr. RAINEY. Do you know whether the packers lost any money in beef last year?

Mr. CURRIE. I do not know anything about the packers. I do know this though, that a number of years ago I was selling cattle in southwest Kansas. I met an old gentleman down on one of the rivers in southwest Kansas who said he would buy two cars of cattle. Now, cattle were so cheap that no one would buy them. I found that old man with 200 cattle, and he was living in his wagon herding them 40 miles from town. He bought the cattle and he came up to get them, and when he paid for them I said, "I admire your nerve; I have not met a man in this part of Kansas with nerve enough to buy cattle at present prices." He said, "Stranger, I bought that herd of cattle high and I rode them down and I am going to ride them back up." Now, we started at a low price and the stockmen rode them up and rode them very high, and I believe that we will have to ride them back down again. That is the reason why I disposed of my cattle. I expect to go back into the cattle business.

Mr. GRAFF. What would be the natural outcome, Senator, if we all had that foresight? I will give you credit for having foresight, but what would have been the result if we had all done that?

Mr. CURRIE. Then hay would have been extremely low and the cattle would have been high.

Mr. ANDERSON. In view of the statement Mr. Currie has made with reference to never having heard of anything at the Omaha yards subject to criticism, I desire at this point to read from a report made by the Secretary of Agriculture to the Senate in response to a Senate resolution. I want to put this entire report into the record, but I will read this particular portion of it now.

(Mr. Anderson read a portion of the report referred to, which is here printed in full, as follows:)

[Senate Document No. 185, Sixty-sixth Congress, second session.]

DEPARTMENT OF AGRICULTURE,
Washington, January 24, 1920.

The PRESIDENT UNITED STATES SENATE.

SIR: I have the honor to transmit herewith the information requested by Senate resolution No. 266, of January 5, 1920, which reads as follows:

"That the Secretary of Agriculture be, and he is hereby, directed to report to the Senate the names of all live-stock commission agents who, and companies, corporations, or firms which, in the exercising of the powers conferred on him under the licensing proclamations of the President for the licensing of stockyards, dated June 18, 1918, and September 6, 1918, in pursuance of the act approved October 22, 1917, commonly known as the food-control act, have been found to have charged extortionate prices or fees for food furnished or for other services rendered; and to supply the Senate with a statement of the procedure had in all of such cases, and the present status of each case."

Pursuant to the authority mentioned in the resolution, an examination by this department was made of the books of all the licensees, in the aggregate 350 individuals, firms, and corporations (hereinafter called commission men), engaged in the business of buying and selling live stock for a commission, at Chicago, St. Louis, Kansas City, Omaha, Sioux City, St. Joseph, Fort Worth, St. Paul, and Denver. It appeared from such examination that the commission

men named on the inclosed list had exacted substantial overcharges in the feed accounts kept by them with their shippers, as hereinafter explained. It is assumed that these are the cases which are referred to in the resolution.

It also appeared that it was the practice of the commission men to handle the live stock consigned to them at a flat rate or fee for their services, but with respect to the items of feed furnished by the commission men to such live stock it was understood that the shipper should pay the commission man just the amount which the commission man had paid for such feed, in other words, the actual cost, and that therefore the commission man was not entitled to derive any profit or financial benefit whatever out of such feed account.

Upon inquiry by the department, representative commission men at various terminal live-stock markets of the country, such as the then presidents of the National Live Stock Exchange, the Omaha Live Stock Exchange, and the Chicago Live Stock Exchange, and others, stated under oath or otherwise that the making or taking of any substantial profit in any manner by any commission man out of the feed account kept with his shippers was uncommercial conduct and a practice that should not be tolerated. These sentiments are in harmony with the views of this department after an exhaustive investigation of the subject.

The books of 12 licensees in Chicago, 5 in St. Paul, 3 in Fort Worth, 1 in Kansas City, 1 in St. Joseph, and 2 in Sioux City showed substantial excess charges in their respective feed accounts from January 1, 1918, down to the time when their books were audited, or approximately for a period of 18 months, amounting in the aggregate to more than $90,000. Their books also showed excess charges in their feed accounts from the issuance of their respective licenses down to the auditing of their books. Consequently complaints were preferred against each of such licensees by the department charging them with making an unjust charge and engaging in a deceptive practice in connection with the feed accounts which were kept with their shippers. Oral hearings before officers of the department were granted to each of them in the cities in which they were licensed to carry on their business, and they were given an opportunity to appear in person or by counsel and to offer such evidence as they desired in their behalf.

Several of these licensees admitted that they had made a practice of selling the left-over hay or corn, which had already been charged to a preceding shipper, to some other shipper, thereby charging two shippers for the same hay and corn. However, many of such licensees contended that they had not followed such a practice in the feed accounts kept with their shippers and stated under oath that they considered such practice unfair and unjust to the shipper.

The evidence in these cases tended to show generally that the licensees had not given proper care and attention to the distribution of the feed and the keeping of their feed accounts with their shippers, and that this important phase of their business prior to the date of the complaints had been largely left to the unsupervised discretion and control of employees commonly known as yardmen.

The testimony as a whole, including admissions to that effect on the part of some of the licensees, points to the conclusion that a large percentage at least of all the overcharges in these cases is the result of the practice of charging two shippers with the same hay or corn whenever it appeared that the live stock of the first shipper had for any reason failed to consume a substantial part of the hay or corn furnished to them. Several of the licensees at the hearing and at other times expressed a willingness, and some gave the department a written promise, to refund such overcharges to their shippers as the shippers' interests might appear or in such equitable manner as the Secretary of Agriculture might prescribe. Others contended that the overcharges in their feed accounts did not belong to the shippers, or if any part of it did belong to the shippers the particular shipper's interest therein could not be determined, and that in their opinion the larger part of said money was due to the stockyards from whom they had bought the feed, and for that reason were unwilling to make any restitution whatever to their shippers. Only one licensee refunded to his shippers under the direction of the department the overcharges appearing in his feed account.

The department, upon a consideration of these cases, reached the conclusion that the public interest would be properly safeguarded, that the pernicious practices of overcharges in the feed accounts would be eliminated, and that the offending licensees would be punished adequately, if the overcharges were returned to the shippers as their interests might appear, or upon some equitable

basis of distribution to be prescribed by the Secretary. While it appeared that these licensees had engaged in a deceptive practice and made an unjust charge in violation of section 4 of the food-control act and the regulations issued pursuant thereto, the department decided that if any licensee involved would distribute these overcharges to his shippers as aforesaid, it would not revoke his license. Accordingly, letters were written by the Secretary to several of the Chicago licensees informing them that a restitution of these overcharges to the shippers would be satisfactory to the department, but that if such funds were not refunded in manner and form as suggested their licenses would be revoked indefinitely or suspended. Thereupon, six of the licensees who had received such letters refused to refund such overcharges and sought and obtained from the Federal district court at Chicago an order restraining the Secretary and his subordinates from revoking the license of said complainants or in any way interfering with said complainants in the conduct of their business.

The trial court overruled the department's motions to dismiss the bills of complaint and to dissolve the temporary injunction, continued the temporary injunction, and set the cause down for a hearing. At such hearing, after the complainants had introduced testimony, the court before the department had offered any evidence made and entered another order "modifying" the first and restraining the Secretary from revoking the licenses of complainants on the ground that the complainants refused or failed to distribute such overcharges to the shippers. The trial court at the time the modifying order was entered stated that it was "an interlocutory order" and retained jurisdiction of the cause. Judicial Code, section 129, allows an appeal from an interlocutory order granting or refusing or continuing a temporary injunction. Both orders appearing to be "interlocutory," it was decided to appeal from the first for the reason that an appeal from the last order would carry a record to the court of appeals containing evidence for the complainants but no evidence for the Government; and, too, it was hoped that an appeal from the first order would secure from the court of appeals an opinion covering a broader field which could be used as a guide for the executive officers in administratively enforcing the law.

Thereupon the complainants moved to dismiss the appeal, and the motion and the main case were set for argument in the court of appeals on the 20th instant. Notwithstanding the interpretation placed upon the last order by the trial court, the court of appeals took the view that it was not "interlocutory" but "final,' that, therefore, the order appealed from had become merged in the final order, and dismissed the appeal.

The inclosed list gives a summary of the action taken and the present status of each of the cases. The department now has under consideration the mode of procedure to be adopted.

In addition to the foregoing, an examination of the books of several of the stockyards under license was also made by the department. Such examination showed that the Fort Worth Stock Yards Co., located at Fort Worth, Tex., and the Union Stock Yards Co., located at Omaha, Nebr., had an average or surplus in the feed account kept with their patrons.

The stockyard differs from the commission man in that the stockyard is a feed merchant. It buys hay and corn on its own account and sells the same to the commission men for the account of their shippers and to others for more than they pay for it. In this way the stockyard is supposed to and does make a profit out of its feed account, while the commission man buys as the agent of the shipper and is supposed to charge his principal just the amount he pays for such feed. The overage or surplus complained of in the stockyards accounts is based upon the fact that the books of each of the stockyards companies involved showed that within a given period of time it sold its customers more pounds of hay and more bushels of corn than it bought. The testimony as a whole offered by the stockyards licensees at Fort Worth and Omaha shows that they buy their corn by weight on a basis of 56 pounds per bushel and sell it by measure, and the variation in the amount of corn bought and the amount of corn sold is largely due to the fact that 56 pounds of light-weight corn more than fills a standard bushel measure, and also to the fact that the employees of the stockyards company in distributing the corn amongst the pens in the stockyard frequently fail to fill the vessels in which the corn is measured. The variation in the pounds of hay and bushels of corn bought in the case of the Fort Worth Stock Yards Co. and the Omaha Stock Yards Co. are found to be substantial and translated into money amounts to many thousands of dollars in

each case. The complaint made against the stockyards companies only covers the period from January 1, 1918, down to the date of the auditing of the books, or approximately 18 months. These cases are now awaiting final disposition. The department has not yet completed its investigation of the accounts of stockyards.

Respectfully,

D. F. HOUSTON, *Secretary.*

SUMMARY SHOWING NAMES OF LIVE-STOCK COMMISSION MEN CHARGED WITH EXACTING EXCESS CHARGES IN THEIR FEED ACCOUNTS WITH THEIR CUSTOMERS, THE PROCEDURE HAD IN EACH CASE, AND ITS PRESENT STATUS.

CHICAGO, ILL.

Brownson & Ettlinger.—December 11, 1919, licensee charged by the Secretary of Agriculture with violation of food-control act and regulations in the exaction of overcharges in its feed accounts with its shippers and cited to hearing (hereinafter referred to as an administrative hearing) before an officer of the Department of Agriculture.

December 20, 1919, hearing held at Chicago, Ill.

Further action was withheld pending decision of circuit court of appeals in test case involving Lee Live Stock Commission Co. Appeal in that case having been dismissed on January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Burnett, Abe & Co.—June 12, 1919, licensee notified of charges and cited to administrative hearing.

June 24, 1919, hearing held at Chicago, Ill.

August 11, 1919, after consideration of record licensee was notified by the Secretary of Agriculture that unless satisfactory assurance was given on or before a fixed date that the amount of the overcharges in its feed accounts would be produced for distribution among its shippers, its license would be revoked or indefinitely suspended.

August 26, 1919, licensee obtained a temporary injunction by United States district court, Chicago, Ill., restraining the Secretary of Agriculture from revoking the license or otherwise interfering with the licensee's business.

October 21, 1919, the United States district court modified the injunction so as to restrain the Secretary of Agriculture from revoking the license for the reason that licensee does not restore the overcharges to its shippers.

Further action was withheld pending decision of circuit court of appeals in test case. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Central Live Stock Commission Co.—August 11, 1919, licensee charged by the Secretary of Agriculture with violation of food-control act and regulations in the exaction of overcharges in its feed accounts with its shippers and cited to administrative hearing.

August 29, 1919, hearing held at Chicago, Ill.

Further action was withheld pending decision of circuit court of appeals in test case.

Appeal in test case having been dismissed on January 20, 1920, this case is now being considered by Department of Agriculture with view of determining what further action should be taken.

Clay, Robinson & Co.—Action taken against this licensee involved its principal place of business and two of its branch houses, Kansas City, Mo., and East St. Louis, Ill.

June 11, 1919, licensee notified of charges and cited to administrative hearing.

June 24, 1919, hearing held at Washington, D. C., and continued on June 25, 1919, at Chicago, Ill.

Further action was withheld pending decision of circuit court of appeals in test case.

Appeal in test case having been dismissed January 20, 1920, this case is now being considered by Department of Agriculture with view of determining what further action should be taken.

Conklin Bros.—June 10, 1919, licensee notified of charges and cited to administrative hearing.

June 23, 1919, hearing held at Chicago, Ill.

August 11, 1919, after consideration of record licensee was notified by the Secretary of Agriculture that unless satisfactory assurance was given on or before a fixed date that the amount of the overcharges in its feed accounts would be produced for distribution among its shippers, its license would be revoked or indefinitely suspended.

August 26, 1919, licensee obtained a temporary injunction by United States district court, Chicago, Ill., restraining the Secretary of Agriculture from revoking the license or otherwise interfering with the licensee's business.

October 21, 1919, the United States district court modified the injunction so as to restrain the Secretary of Agriculture from revoking the license for the reason that licensee does not restore the overcharges to its shippers.

Further action was withheld pending decision of circuit court of appeals in test case.

Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Doud & Co., J. M.—December 11, 1919, licensee notified of charges and cited to administrative hearing.

December 20, 1919, hearing held at Chicago, Ill.

Further action was withheld pending decision of circuit court of appeals in test case involving Lee Live Stock Commission Co.

Appeal in that case having been dismissed on January 20, 1920, this case is now being considered by the Department of Agriculture with a view of determining what further action should be taken.

Freeland & Godfrey.—December 11, 1919, licensee notified of charges and cited to administrative hearing.

December 20, 1919, hearing held at Chicago, Ill.

Further action was withheld pending decision of circuit court of appeals in test case involving Lee Live Stock Commission Co.

Appeal in that case having been dismissed on January 20, 1920, this case is now being considered by the Department of Agriculture with a view of determining what further action should be taken.

Kuenster Live Stock Commission Co.—June 9, 1919, licensee notified of charges and cited to administrative hearing.

June 24, 1919, hearing held at Chicago, Ill.

August 11, 1919, after consideration of record licensee was notified by the Secretary of Agriculture that unless satisfactory assurance was given on or before a fixed date that the amount of the overcharges in its feed accounts would be produced for distribution among its shippers, its license would be revoked or indefinitely suspended.

August 26, 1919, licensee obtained a temporary injunction by United States district court, Chicago, Ill., restraining the Secretary of Agriculture from revoking the license or otherwise interfering with the licensee's business.

October 21, 1919, the United States district court modified the injunction so as to restrain the Secretary of Agriculture from revoking the license for the reason that licensee does not restore the overcharges to its shippers.

Further action was withheld pending decision of circuit court of appeals in test case.

Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Lee Live Stock Commission Co.—June 11, 1919, licensee notified of charges and cited to administrative hearing.

June 25, 1919, hearing held at Chicago, Ill.

August 11, 1919, after consideration of record licensee was notified by the Secretary of Agriculture that unless satisfactory assurance was given on or before a fixed date that the amount of the overcharges in its feed accounts would be produced for distribution among its shippers, its license would be revoked or indefinitely suspended.

August 26, 1919, licensee obtained a temporary injunction by United States district court, Chicago, Ill., restraining the Secretary of Agriculture from revoking the license or otherwise interfering with the licensee's business.

October 21, 1919, the United States district court modified the injunction so as to restrain the Secretary of Agriculture from revoking the license for the reason that licensee does not restore the overcharges to its shippers.

Thereafter department appealed case to the United States circuit court of appeals for the seventh circuit.

January 20, 1920, said appeal was dismissed. This case is now being considered by the Department of Agriculture with view of determining what further action should betaken.

Rappal Bros. & Quinn.—March 11, 1919, licensee notified of charges and cited to administrative hearing.

April 2, 1919, hearing held at Chicago, Ill.

After consideration of record licensee was notified by the Department of Agriculture that in its opinion the money which had accumulated in the licensee's feed accounts for the year 1918 should be prorated among the shippers who had consigned live stock to said licensee during that period, and that the department would consider such restitution satisfactory disposition of the case. The licensee submitted to this arrangement and this money was prorated by the Bureau of Markets among the licensee's shippers who consigned live stock to it during the year 1918.

Spencer, L., & Co.—June 10, 1919, licensee notified of charges and cited to administrative hearing.

June 24, 1919, hearing held at Chicago, Ill.

August 11, 1919, after consideration of record licensee was notified by the Secretary of Agriculture that unless satisfactory assurance was given on or before a fixed date that the amount of the overcharges in its feed accounts would be produced for distribution among its shippers, its license would be revoked or indefinitely suspended.

August 26, 1919, licensee obtained a temporary injunction by United States district court, Chicago, Ill., restraining the Secretary of Agriculture from revoking the license or otherwise interfering with the licensee's business.

October 21, 1919, the United States district court modified the injunction so as to restrain the Secretary of Agriculture from revoking the license for the reason that licensee does not restore the overcharges to its shippers.

Further action was withheld pending decision of circuit court of appeals in test case. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Wood Bros.—(See also St. Paul, Minn., for case involving branch house of this firm.)

June 9, 1919, licensee notified of charges and cited to administrative hearing.

June 23, 1919, hearing held at Washington, D. C.

August 15, 1919, after consideration of record licensee was notified by the Secretary of Agriculture that unless satisfactory assurance was given on or before a fixed date that the amount of the overcharges in its feed accounts would be produced for distribution among its shippers, its license would be revoked or indefinitely suspended.

August 26, 1919, licensee obtained a temporary injunction by United States district court, Chicago, Ill., restraining the Secretary of Agriculture from revoking the license or otherwise interfering with the licensee's business.

October 21, 1919, the United States district court modified the injunction so as to restrain the Secretary of Agriculture from revoking the license for the reason that licensee does not restore the overcharges to its shippers.

Further action was withheld pending decision of circuit court of appeals in test case. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

FORT WORTH, TEX.

Campbell-Rosson-Beldon Live Stock Commission Co.—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 6, 1920, hearing held at Fort Worth, Tex.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Daggett-Keen Commission Co.—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 5, 1920, hearing held at Fort Worth, Tex.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Rhome-Farmer Commission Co.—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 6, 1920, hearing held at Fort Worth, Tex.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

KANSAS CITY, MO.

Clay, Robinson & Co.—(Branch house with headquarters at Chicago, Ill.)

Tamblyn Commission Co.—August 13, 1919, licensee charged by the Secretary of Agriculture with violation of the food-control act and regulations in the exaction of overcharges in its feed accounts with its shippers and cited to administrative hearing.

September 2, 1919, hearing held at Kansas City, Mo.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

ST. JOSEPH, MO.

Davis Commission Co.—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 8, 1920, hearing held at St. Joseph, Mo.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

NATIONAL STOCK YARDS, ILL.

Clay, Robinson & Co.—(Branch house with headquarters at Chicago, Ill.)

ST. PAUL, MINN.

C. L. Kaye Live Stock Commission Co.—June 9, 1919, licensee notified of charges and cited to administrative hearing.

June 27, 1919, date set for hearing, but without proceeding with hearing licensee agreed to make such distribution among its shippers of the amount of overcharges involved as the Secretary of Agriculture found to be equitable and just.

August 19, 1919, licensee directed to produce amount involved for restitution in accordance with above-mentioned agreement. In response a special hearing was requested, which was granted September 27, 1919.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Prouty Commission Co.—August 14, 1919, licensee notified of charges and cited to administrative hearing.

August 22, 1919, licensee agreed to make such distribution among its shippers of the amount of overcharges involved as the Secretary of Agriculture found to be equitable and just. This agreement was not carried out, however, and a special hearing was held September 27, 1919.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Rogers & Rogers Live Stock Commission Co.—June 9, 1919, licensee notified of charges and cited to administrative hearing.

June 27, 1919, date set for hearing, but without proceeding with hearing licensee agreed to make such distribution among its shippers of the amount of overcharges involved as the Secretary of Agriculture found to be equitable and just.

August 19, 1919, licensee directed to produce amount involved for restitution in accordance with above-mentioned agreement. In response a special hearing was requested, which was granted September 27, 1919.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Western Commission Co.—June 9, 1919, licensee notified of charges and cited to administrative hearing.

June 27, 1919, date set for hearing, but without proceeding with hearing licensee agreed to make such distribution among its shippers of the amount of overcharges involved as the Secretary of Agriculture found to be equitable and just.

August 19, 1919, licensee directed by Secretary of Agriculture to produce amount involved for restitution equitably among shippers. This was not done, however, and further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Lee Live Stock Commission Co.—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 12, 1920, hearing held at St. Paul, Minn.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Wood Bros. (branch house with headquarters at Chicago, Ill.).—December 11, 1919, licensee notified of charges and cited to administrative hearing.

December 19, 1919, hearing held at Chicago, Ill.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

SIOUX CITY, IOWA.

Fitzsimmons, Pierce & Frick.—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 10, 1920, hearing held at Sioux City, Iowa.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

Wood Bros. (affiliated with Wood Bros. of Chicago, Ill., but operating under separate organization and license).—December 19, 1919, licensee notified of charges and cited to administrative hearing.

January 10, 1920, hearing held at Sioux City, Iowa.

Further action was withheld pending decision of circuit court of appeals in test case at Chicago, Ill. Appeal in test case having been dismissed January 20, 1920, this case is now being considered by the Department of Agriculture with view of determining what further action should be taken.

The following action has been taken in cases wherein the inventory of feed handled by stockyard companies has shown considerable overages:

FORT WORTH, TEX.

Fort Worth Stock Yards Co.—Licensee cited to administrative hearing, which was held at Fort Worth on July 25, 1919; supplemental examination thereafter made of hay account of licensee by Department of Agriculture; case not yet disposed of.

OMAHA, NEBR.

Union Stock Yards Co.—Licensee cited to administrative hearing, which was held at Omaha on January 9, 1920; case not yet disposed of.

Mr. ANDERSON. What other business are you engaged in besides the stock business?

Mr. CURRIE. I have no other regular business, but I have always had some side issue. I have generally come out of the cattle business with a little money and after going into something else I have nearly always lost everything I had and had to get back into the cattle business to get it back.

Mr. ANDERSON. Are you interested in any banks?

Mr. CURRIE. Yes, sir; I have 10 shares in the Custer State Bank, at Broken Bow. I have an interest in the Missouri Valley Cattle Loan Co., at Omaha, where I have 50 shares.

Mr. ANDERSON. Are you an officer or director of any cattle loan company or bank?

Mr. CURRIE. No, sir. You probably have got some information. A cooperative cattle loan company was formed in Omaha and I bought some of the stock. At one time I was president of the company. On the 10th of December the manager of that company resigned and it left it without any head, and they sent out to the ranch and brought me down to take his place until somebody else could be found. But I want to tell you that as soon as the grass grows in the sand hills in Nebraska I am going back to it.

Mr. ANDERSON. If I knew of any place where I could raise cattle at the costs you figure I would want to raise cattle, too.

Mr. CURRIE. I will show it to you. Whenever I hear a man say that I think of the German who watched Niagara Falls, and others were saying how marvelous and how wonderful and how magnificent it was, and the German said, "I don't see anything wonderful about that; what is to hinder it"?

If you get the point, there is not anything to hinder you. There are 10,000,000 acres of land in Nebraska just as good for grazing as that I am using and there was not a hoof on it last season.

Mr. VOIGHT. In the last 10 years have you grazed mostly on your own land or land that you have rented from the Forest Reserve?

Mr. CURRIE. I have grazed on the Forest Reserve for two seasons; the other eight years I have grazed on my own lands or private lands which I leased.

Mr. VOIGHT. What do you figure the value of your own land to be?

Mr. CURRIE. Just the grazing lands, do you mean? About $5 or $6 an acre, sir.

Mr. COLLINS. Five dollars or $6 an acre? Can it be bought for that now?

Mr. CURRIE. Yes, sir.

Mr. COLLINS. Good grazing land?

Mr. CURRIE. Yes, sir. I think the maximum that I have known it to sell for is $10. I bought two sections within the last 60 days; one for $4 and the other for $5 an acre.

Mr. COLLINS. On the forest land you have the great advantage, have you not, in getting the low rental?

Mr. CURRIE. I do not think it is much of an advantage. The fact is that if we did not have the investment in the fences and in the

water privileges—that is, the wells, the windmills, etc.—I do not think we would retain the Forest Reserve, for the reason that it is 10 miles off from our place where we winter and in driving cattle even that distance we lose say 25 pounds to the head, which is $2.50. Now, I charged up $2.50 a head. The current price, where we hire cattle pastured in our country, is about $3 to $3.50. So we seem to have an advantage there of about 50 cent to $1 a head.

Mr. COLLINS. You say $3.50?

Mr. CURRIE. Yes; for the summer season.

Mr. COLLINS. Now, on the forest reservation I think you said you paid $1.05?

Mr. CURRIE. Yes; but we own all of the equipment and we have to take care of these cattle ourselves. We own the windmills, the wells, and the water tanks, and we must keep them up and watch and have men to watch and take care of them, which overhead amounts to 95 cents, making the cost per head $2.

Mr. COLLINS. And what is the cost when you pasture cattle with private parties?

Mr. CURRIE. $3 to $3.50.

Mr. COLLINS. And the parties would take care of them?

Mr. CURRIE. Yes, sir; the parties would furnish the quarters. There is not a great deal of advantage in the forest reserve.

I thank you, gentlemen.

STATEMENT OF MR. HARRY HOPLEY, ATLANTIC, IOWA.

Mr. HOPLEY. Mr. Chairman and gentlemen of the committee, I have no figures or anything of that kind taken from our feeding operations, because I did not know that anything of this kind was coming up at all, but I sat here this afternoon and a few hours day before yesterday listening to some of the testimony of the cattle producers.

Now, I can not speak personally as a cattle producer. We are farmers. We do not claim to be cattlemen; we claim our business is strictly a farm proposition. However, we do feed from 1,000 to 1,500 or 1,800 cattle per year, and we raise and feed on our farms about from 500 to 1,200 hogs and a few sheep. I have been in the cattle business for 18 years. The first year that I went into cattle-feeding business I lost about $15,000. After a few years we made the money back and since that time our feeding business has developed this: Our cattle account never has shown a profit, but the improvements that we have put on our lands in fertilizer, increased fertility of our lands, has improved them until we have increased the yield per acre from 25 to 50 per cent. We have increased our holdings possibly about 125 per cent in that time.

A few years ago cattle fed in southwestern Iowa—at that time in our immediate vicinity, in our valley, was considered to be one of the most important and one of the richest feeding counties in the State. In fact, we fattened fully as many cattle as any section in the State of Iowa. I do not think that condition is true to-day. You will not find possibly as many cattle in the feed lots in our county as there were a few years ago. The farms that to-day are finishing the beef, pork, and mutton—you can take your automobile or buggy, whichever you like, and drive through and no one has to tell you on which farms these cattle and hogs and sheep are fed.

Now, I do not believe that any man who has given any testimony here has given any credit to the fertility of his soil. His cattle-fattening operations have always shown a loss. At the same time he has never shown where his land has increased in value from the benefit it derives from the cattle—from the manure.

We raise from 15,000 to 35,000 bushels of corn per year. We buy around from 50,000 to 75,000 bushels. We do not market any of this corn, only through beef and pork, and if we get a fair market value for our corn and corn products we judge that that has made us a good profit. As I say, the fertility of our soil has increased, as every other farmer's has where the cattle are fed and the manure and stuff are put on the land.

We have fed cattle, I say, for 18 years and we have shipped our cattle to Omaha and Chicago to possibly 10 or 12 different commission firms. I do not think that we have shipped to any one firm over five years. In all of our experience we have never had any treatment but what was absolutely equitable and fair from the large commission firms. We have no grievance with them whatever. We have had our cattle sold on the market. There were times that we thought cattle were worth more money, but the commission man was doing all he could to get it.

It was mentioned here by the gentleman from Iowa, the president of the Corn Belt Meat Producers' Association, that he had the same bid from four different packer buyers. I have seen this happen many times. I happened to be in Chicago this week myself before I came down here and I had bids from two packer buyers and they were the only bids that we had. It was the same bid from each man. I do not see how they can figure that every packer buyer knows exactly what every other fellow was paying for his cattle. Possibly they can.

In the fall of 1912 I bought on the Kansas City market 775 yearling steers. I do not know exactly what the cost price was; I think $6.75 a hundred. I had those cattle in Chicago in the latter part of July, 1913, and I sold those cattle for $7.15. I thought that they would bring considerably more money that day. It was just at the time when war broke out between England and Germany and Russia, and the exchange in New York had shut down. In fact, one of the packer buyers came to me and said:

> I would like to have your cattle, because I know what they are and what they do, but we just can not buy them, because we have not got the money to pay for them and have not got the place to put them.

I went home and on the following Saturday I shipped the balance of the cattle and they brought $7.75 a hundred. That was a spread of 60 cents in seven days. Now, I do not believe that the packers or anybody else was to blame for the advance in this particular instance or the variable market conditions at that time.

Conditions are practically the same in Omaha, where we buy practically all of our fattening cattle on the Omaha market. A few years ago we bought about 50 per cent in Kansas City and 50 per cent in Omaha, but I have never seen the time in the fall of the year, when the range cattle were running, that I could not sit on a saddle horse in the Omaha market and buy cattle from "first-hands," as we called them. In those days the speculators were down on the bottoms and the commission men were up on the hill.

Mr. ANDERSON. What time is this to which you are referring?

Mr. HOPLEY. Any time you want. Right now I could sit there and do that. Last fall I bought 600 cattle, and that has been my experience for the past 18 years.

Mr. ANDERSON. How long were you there each time?

Mr. HOPLEY. Well, I live within 40 miles of Omaha, and in the fall I am there practically three days a week. I am in and out all the week. I can leave home and in one hour I am down at the stockyards.

Mr. ANDERSON. Do you as a rule buy your cattle there?

Mr. HOPLEY. Yes, sir.

Mr. COLLINS. Do you buy them yourself or through a commission house?

Mr. HOPLEY. I buy them through a commission house sometimes.

Mr. COLLINS. You clear through a commission house?

Mr. HOPLEY. Not necessarily, because I can go buy a few cattle here and a few there or a few of a speculator and drop them in a pen and hold them until I get a load or two loads or three loads and then ship out to my farm.

Mr. COLLINS. Of course, you can buy all the cattle that you want in any market if you do your business through a commission firm?

Mr. HOPLEY. Yes; and you do not have to do business through a commission firm. It is just as cheap to pay the exchange on your money, just as cheap.

Mr. BRISSENDEN. As a matter of fact, you do clear through a commission house?

Mr. HOPLEY. No; not as a rule. I did last year, simply because I sat there and bought a lot of cheap cattle and cows, and lots of times I would leave those cattle there four or five days before we would ship them home.

Mr. COLLINS. That is the general practice, is it?

Mr. HOPLEY. Well, there are a lot of things that are the general practice. A man has that privilege to do that if he can do it.

Mr. COLLINS. He has that privilege, but it is not practiced but very little?

Mr. HOPLEY. Yes; it is practiced a great deal.

Mr. COLLINS. Can you give the names of some of the men who do that?

Mr. HOPLEY. Yes; I know a lot of men who do not clear through a commission house.

Mr. COLLINS. Who buy their own cattle and do not clear a commission house?

Mr. HOPLEY. Yes, sir; there are a number of firms in my district that do that. It is just as cheap to pay the commission house their commission as to pay the exchange on your money.

Mr. COLLINS. There is no exchange on your money now.

Mr. HOPLEY. Yes; there is.

Mr. COLLINS. Not if you do business through national banks. The exchange is wiped out entirely.

Mr. ANDERSON. What is the usual commission?

Mr. HOPLEY. The usual commission is 70 cents a head.

Now, you were talking about your cooperating commission firms and grain companies. I had a little instance that came up last

Friday. We were running a little short of corn on the farm, and I went to the cooperative elevator, and I wanted to buy some corn of them. The figure they gave me was with a 20-cent profit on this lot of corn. I turned right around and bought it of one of the big firms on the market for 2 cents over what they paid for it—a difference of 18 cents.

I do not know that I have anything further to say.

Mr. ANDERSON. Just a moment, if you please. You are a pure-bred operator, are you not?

Mr. HOPLEY. Yes, sir.

Mr. ANDERSON. How large a proportion is that of your business?

Mr. HOPLEY. That does not enter into our business. We do not keep the pure-bred cattle where we feed. The pure-bred cattle are kept on a different farm from where we feed steers, hogs, and sheep.

Mr. ANDERSON. How many pure breds do you run? How large an operation do you have?

Mr. HOPLEY. At times we have 100, and at times 300, and sometimes more.

Mr. ANDERSON. You and your firm are one of the largest cattle-producing firms in Iowa, are you not?

Mr. HOPLEY. No, sir; I would not say that.

Mr. ANDERSON. It is very nearly, is it not?

Mr. HOPLEY. No; I would not say that.

Mr. ANDERSON. I have understood otherwise. How many cattle do you handle in a year?

Mr. HOPLEY. Some years a good many, and some years not so many. The last few years we have handled a good many sheep and a lot of hogs, independent of the cattle. I think our inventory the 1st of January showed seven hundred and some odd head of cattle in the feed lots.

Mr. ANDERSON. Is the cattle end of your business the large end of it, or the hog business?

Mr. HOPLEY. Well, our cattle end, I would say, is a good deal the largest.

Mr. ANDERSON. Do you consider that the treatment extended you in your dealings is due to the fact that you are one of the largest operators?

Mr. HOPLEY. No, sir; I do not; because I am very seldom in when the cattle are sold. I do not, because I am very seldom in Chicago when my cattle are sold, and we ship most of our beef cattle—our good cattle—to Chicago.

Mr. ANDERSON. Well, when you are there you are there. You just told us a few minutes ago that you were there a week at a time.

Mr. HOPLEY. I beg your pardon, Congressman, I did not say that. I said I was at Omaha. I did not say that I was in Chicago a week at a time. I shipped practically all of my good cattle to Chicago. I do not ship much beef cattle to Omaha, but I do ship a few cows to Omaha.

Mr. ANDERSON. You buy at Omaha?

Mr. HOPLEY. Yes, sir.

Mr. ANDERSON. Do you borrow considerable sums of money in your business?

Mr. HOPLEY. We borrow some money; yes, sir.

Mr. ANDERSON. From the cattle-loan companies?

Mr. HOPLEY. No, sir. I do not think that you can find one man in our section of the State of Iowa that borrows money from a cattle-loan company. Our banks are more than willing to loan a man who is fattening cattle money.

Mr. ANDERSON. I think that is generally true.

Mr. RAINEY. When you started 18 years ago you were a small dealer?

Mr. HOPLEY. Yes, sir.

Mr. RAINEY. And what treatment did you receive 18 years ago?

Mr. HOPLEY. The treatment was just the same as it is to-day.

Mr. RAINEY. It has not made any difference?

Mr. HOPLEY. No, sir.

STATEMENT OF MR. H. K. FORSYTH, LIVE-STOCK FEEDER, GRISWOLD, IOWA.

Mr. FORSYTH. Gentlemen, I never was in the Iowa Assembly, but I started to feed cattle when I was just big enough to carry corn fodder, and wearing an old soldier's overcoat, two or three years after the close of the Rebellion. That was in eastern Iowa. About 1874 I went to western Iowa, and I went to work by the month and got $15 a month, and then I got $20. After a while I got married and rented a farm and fed some cattle. After a while I bought a little piece of land. I have been feeding cattle, buying a little land, and ever since I have dealt with the packers and dealt with the commission men.

I have felt many times like cussing the packers and the commission men and myself when I was up in Chicago and struck a bad market. I do not think the packers are to blame for all the ills of humanity. Sometimes you buy your cattle too high and sometimes they are higher in the fall of the year when you buy them than they are when you get them ready to go to market. When I put my cattle on the cars and went down to Chicago I do not ever remember four packers bidding me the same price for cattle, and I never was expert enough to know when I got within 10 cents of what the cattle would bring or whether the market was high or low. If I got the worst of it when I went home I could not help it. I met some of the packers. I know the packer buyers. I know the commission men, and I have no grievance against any of them.

I d not know, but ome gentleman who was on the stand said we were the worst governed country in the world. Now, I think we are the best, and if the packers need regulation I do not know along what lines it would be. They are pretty good fellows, and I think they handle their refrigerator cars in pretty good shape. I think they are very well fixed to sell butter, eggs, and poultry, and if a little fellow started in they would have to buy and pay out considerable capital to acquire a distributing system the equal of that of the packers. Whether the packers are doing it or not I do not know, but they could sell the produce—butter, eggs, poultry, and fish—closer than anybody else that I know—on a closer margin I mean. Whether they are doing that or not, I do not know.

I noticed that that old man who had his figures went back over the last 40 years. I think I commenced fattening cattle in 1877.

Mr. Anderson. Have you got to be a millionaire through fattening cattle, or the gentleman you are talking about?

Mr. FORSYTH. No, sir; I wish I was. I have not kept the figures so close as that, but I can tell from my bank account at the end of the year whether I made money or not.

Mr. RAINEY. If you fed and handled as many cattle as the packers do, and you made the same profit you do as a producer, you would be a millionaire?

Mr. FORSYTH. Yes; several times over; but I did not do it.

Mr. ANDERSON. Do you think, leaving out the increase in the value of your land and the increase in the value of the cattle, that you have made any money in the cattle business?

Mr. FORSYTH. Yes, sir. I think any other good, loyal man from Iowa would not only think it, but he knows it, because in the first place the first piece I bought was only 40 acres, and if you ride over the broad plains of Iowa and look at the modern up-to-date homes that we have got there and then take the bank balances in the cities of Iowa you will know that we made money, besides the advance in land.

Mr. ANDERSON. You are talking about farmers now; you are not talking about cattle feeders?

Mr. FORSYTH. All farmers, as a rule, are cattle feeders; but there are farmers who never fed cattle who have got good homes and it is quite apparent that the cattle feeder has not made it all.

Mr. RAINEY. Do you think legislation and the appointment of a commission or the licensing of these packers would help the producers or the farmers any, Mr. Forsyth?

Mr. FORSYTH. Well, I do not hardly know where you would start in with this commission. Paying for meals down here in Washington the last few days inclines me to believe that you want to appoint a commission that will follow the whole matter up, so that the gentlemen from Texas and New Mexico will be protected if they raise the calves for us. And then we ought to get a little something, and I suppose the packers ought to have the skin or something out of the critter for taking care of it; then the local retail butcher must have a profit; then the meat drivers' association must have something, and also perhaps the hash slingers in the kitchen. I do not know where you will quit. I am opposed consequently to the whole bill.

Mr. RAINEY. Do you think the packer has been a benefit to the farmer and the producer?

Mr. FORSYTH. Yes, sir; and I think that the farmer and the producer are of benefit to the packer, and I think their interests are mutual; and I do not know, Mr. Congressman, where the devil the packer would be if it were not for the producer, and I do not know where the producer would be if it were not for the packer. And I think the packer would be a fool to try to kill the beef producers.

Mr. RAINEY. You do not think he has tried to do that?

Mr. FORSYTH. No, sir; I do not believe that, because I do not know where his business would go to if he did.

Mr. ANDERSON. Do you think there are as many cattle being fed in Iowa this year as there were last year?

Mr. FORSYTH. Not in our part of Iowa.

Mr. ANDERSON. As a matter of fact, many people are going out of the cattle-feeding business, are they not; at the present time they are feeding fewer cattle now than they did?

Mr. FORSYTH. That has been true in our part of the State for the last two or three years.

Mr. RAINEY. Would that be due to the fact that the price of land out there is $250 an acre?

Mr. FORSYTH. The whole line, the agriculture line, has all advanced. The meat producer, the wheat producer, and the corn producer have all been getting good prices for their product, regardless of whether it was sold in beef or in corn and feed. They have all been getting big prices for their stuff, and it is a whole lot easier to sell your grain, if you are getting a good, big price for it than it is to fatten cattle all winter. That is not an easy job. I used to do some of it myself.

Mr. RAINEY. If the farmer in Iowa should find out it was more profitable to raise produce than cattle he would naturally raise produce?

Mr. FORSYTH. Well, we have been trying to raise all that we possibly could during these war times. There has been an extra effort made in Iowa, in addition to fattening cattle, to produce corn and wheat.

STATEMENT OF MR. CHARLES S. FULTON, CATTLE FEEDER, LEWIS, IOWA.

Mr. FULTON. Mr. Congressman, I am a feeder of cattle in a smaller way than any of my predecessors, and one reason that we are not feeding so many cattle now is that on our land that is worth from $250 to $500 an acre, in 1918 I do not think that we had an average crop of 5 bushels of corn; that is, in Cass County.

Mr. RAINEY. What State did you say you are from?

Mr. FULTON. I am 45 miles east of Omaha, on the Rock Island Railroad, in the State of Iowa. I was just telling the committee here that in 1918 we had a crop failure, we had a corn failure, and when we lose our corn we do not do much fattening of cattle.

Mr. RAINEY. I did not quite get where you live.

Mr. FULTON. I live at Lewis, Cass County, Iowa, 45 miles east of Omaha and 85 miles west of Des Moines, on the Rock Island. Losing our corn, of course, cut us out of fattening cattle in 1919, and if we would have raised the corn in 1918 we would have bought cattle to correspond with the amount of corn that we had and could feed successfully during the winter.

I have fattened a good many cattle—that is, from 200 to 400—when it did not take so much money to finance these things; but now my operations annually do not average more than from 8 to 15 cars of cattle and hogs, and some years not so much.

When the war came on everything went up. It was during 1914 and 1915 and 1916 that we made our money. I do not think we ever made so much money on cattle in my life; then, when the armistice was signed, of course, there was a kind of slackening of the demand and depression of business, and these cattle that we had on hand, we had to go on and feed them. We bought them under one condition, and were selling them under another. There was not the demand for the meat, and of course, we did not make so much on them.

I buy my cattle in Omaha, and I buy them of commission men, and I buy them of the scalpers, and I have been buying them that way

for the past 30 years. I believe 60 per cent comes in what we call the small feeders, who have all kinds of cattle there, and the commission man has to sell, and does sell to whoever comes along, a steer here and a steer there; and the speculator and the packer take what they want, and anyone who wishes to buy can do so. The commission man will make just as much out of the cattle as he can for his customers.

I have bought from commission men and I have bought direct. I have bought them right away from the packers, because it is dollars that the commission man wants. Of course, if I did not bid any more than the packer, or those who are buying every day of the year. the packers or speculators would get the cattle; but, if I bid a little extra, a little more, I undoubtedly would get the cattle. The owner is usually around, and cattle are not as a rule sold until he says so. The cattle could not be sold if the owner says no.

I have been shipping my finished cattle to Chicago, and if I have got tanners, we ship those to Omaha. I never in my business have kept cattle over one day, to the next day. I have started for Chicago with cattle, but did not get there, and put them on some other market: but I never held them over, for I believe that 80 per cent of the cattle that was ever held over for a higher price—if they were held over until the next day or two days afterwards, because the market was bad, the market actually would be worse; and these cattle naturally would not be in as good condition as they were on the Monday, Tuesday, or Wednesday preceding.

You can see by the newspapers that the packers are not shipping so much beef. The demand for beef is not as it has been. There is a good deal of cattle coming in. A western man would come in and show his cattle that had never been on a railroad, never saw a railroad. Well, those cattle, after they were filled out, would bring 1½ cents to 3 cents more than we thought they would bring, because they looked so full and nice. Now, if they were tired out, you would probably get 7 to 8 cents a pound for them, whereas you had paid 9 or 10 a pound for them 40 or 50 days before that, and the grass that you were feeding them, which we call topping cattle. They feed those cattle five or six months, and the cattle bring as much in Chicago as they gave for them. I heard a man say you could fatten these cattle for the gain in weight.

Mr. ANDERSON. You could do what?

Mr. FULTON. You could fatten cattle. We could do it when corn was 10 cents, 15 cents, or 20 cents a bushel. I sold cattle in Chicago for $3.65 a hundred that I paid $3 for, and I figured on the basis of 50 cents, and I do not think I lost any money. There was not $1,000 in the whole transaction.

Mr. ANDERSON. Do you think that the reduction in the price of cattle is entirely due to the falling off of exports.

Mr. FULTON. There is not the foreign demand for meat. They claim there is not a demand for meat, and also for lard and such things as that. Consequently, they can not pay any more, so I understand.

Mr. ANDERSON. This condition has existed for some time, has it not? It has not been suddenly developed?

Mr. FULTON. No.

Mr. ANDERSON. The change has been going on for several months. My recollection is that it is not entirely coincident with the dropping off of the price of beef.

Mr. FULTON. Well, taking last fall when those cattle were dumped on the market. The commission men of South Omaha called me up, and there were scalpers and cattlemen that I had dealt with for 20 years. They had never called me up on the phone—but they asked me to come out and buy the cattle. They said, "We will sell so cheap that you can not refuse to come." And cattle, good cattle, that would be selling for around 11 cents, you could buy all you wanted for 8½ cents. And of course you know that the fellows who were fixed to take advantage of that market could not lose.

Mr. ANDERSON. Those were pretty hard conditions on the little fellow out there.

Mr. FULTON. It was a condition, it was not a theory. From spring until late fall there was not a drop of moisture. We are close to Omaha, and the commission men and the scalpers could call us up. They do not care to carry these cattle over Sunday, and it makes no difference how the markets are, they use every effort to clear the yards of cattle, and they will sell them for 7 cents rather than hold them over possibly to Friday of the next week. We would buy cattle in Omaha on Monday for 8 cents, and sell them on Friday for 7½ cents. That is, they could, filling them out, make a little in weight. But a one dollar drop or 75-cent drop may cause a scalper to lose money.

Mr. ANDERSON. Well, we have heard all about the cattle business. Now, what do you think of this bill?

Mr. FULTON. I am not in favor of a commission. I think if they put all of these commissions into one law it would be better, because the cost of running these commissions is considerable.

Mr. ANDERSON. Well, we have had an instance of one man attempting to run the country, running most of it, and it did not seem to be entirely satisfactory, so we do not want to put it all together.

Mr. RAINEY. The opinion of the gentleman who is interrogating the witness Mr. Anderson readily suggests he happens to be on the other side of the fence.

Mr. FULTON. In regard to regulation I might state that it is to the packer's interests not to kill the industry, because they have millions of dollars invested. Now, I have a 700-acre farm out there, and I can raise wheat and corn along with whatever I desire.

Mr. ANDERSON. Do you think we would get along better without any remedy?

Mr. FULTON. I do not know why there is this continual agitation in regard to the packing business. We have got to have it. You take the poultry and dairy business—why people can quite live on not more than 8 acres of land. All he would need would be about a dozen cows and be independent, and make money. Look at hens at 26 cents.

Mr. ANDERSON. Do you raise any hens?

Mr. FULTON. I guess I do; my wife does. That is why I got down here, she let me have chicken money. We used to take them to town and sell them for 3 cents, or we would load them on a car and send a man with them, and they would run into a storm and lose practically

all the hens and the man would be brought home sick from exposure. Now, they are paying us all the way from 19 cents to 26 cents for hens at Atlantic.

Mr. VEEDER. Who are the buyers of the poultry?

Mr. FULTON. It used to be Jecce. They bought these chickens, picked them, and stored them.

Mr. VEEDER. Are they packers?

Mr. FULTON. No; they are jobbers; and this plant that P. Casey is running, that is a local packing house. They would buy only prime young stock; they would buy lambs and hogs that would weigh under 200 pounds and such things as that. They had a big business, but Mr. Casey died and I do not understand that they are following up that sort of business.

Mr. VOIGT. They are not connected with the Big Five packers?

Mr. FULTON. All we are concerned in is getting a good price for the product that we have to sell.

Mr. RAINEY. Anything you could sell?

Mr. FULTON. Yes, sir.

Mr. ANDERSON. I understood you to say that you could buy from the packers after they bought cattle?

Mr. FULTON. No, we would buy them from the commission men.

Mr. ANDERSON. Who are some of the men who did that?

Mr. RAINEY. How about Mr. Hopley?

Mr. ANDERSON. Mr. Hopley said you could buy them direct from the commission men.

Mr. FULTON. You send your stuff to a commission man who will ship this stuff, say to Clay Robinson in South Omaha. Suppose the packers' buyers want that stock and offer 8 cents a pound for it, and I say I will give 8¼ cents a pound, and the owner is sitting out on the cattle fence. Of course, I get the cattle, because the owner would not stand for any such deal as that.

Mr. ANDERSON. You are the only man who has said that.

Mr. FULTON. I can only tell you of my experiences in places where I have dealt. I have only dealt in Denver, Omaha, and Chicago. I have never had anything to do at Kansas City or St. Joseph. I never had any difficulty in buying what I wanted.

Mr. ANDERSON. You appear to be a privileged character around stockyards.

Mr. FULTON. You see we did not raise any corn in 1918, and I have not had any cattle on the Chicago markets since December, 1918. Last year I never bought or sold a hoof of cattle. I have 90 on the hoof now, and I expect to have them on the market in June. March 1 is settlement day in that part of the country, and many men are leaving their farms. This stuff all must go on the 1st of March, settlement day, and we do not look for a stable and firm market until after the 1st of March. I have fed cattle one year. If I feed them 90 or 100 days now they are special.

Mr. ANDERSON. These commission men get the license now from the stockyards.

Mr. FULTON. Yes; they are members of the exchange. No man can buy or sell cattle in the exchange without being a member of the exchange.

Mr. ANDERSON. Well, he has to make a contract with the stockyards, does he not?

Mr. FULTON. I do not understand that that is the case. That is not my understanding.

Mr. ANDERSON. They impose certain restrictions on them?

Mr. FULTON. They certainly do; or he would come and buy or sell for a month, and then go home.

Mr. ANDERSON. That is what our friend, Mr. Hopley, says he could do.

Mr. FULTON. Yes; but he is buying for himself and shipping out to his ranch. He is going around over the yards and buying all this stuff and is shipping it to his ranch to fatten and ship back there. He is not buying cattle for somebody else. He is buying for Hopley.

Mr. ANDERSON. What I am getting at is this——

Mr. FULTON (interposing). We will agree that these commission men have to get a commission. I know they are what we call members of the exchange. They have a vote in the running of that.

Mr. ANDERSON. You have been telling us a lot about the stockyards. Tell me whether they have a contract or not.

Mr. FULTON. I do not know.

Mr. ANDERSON. I will tell you that they do.

Mr. VEEDER (interposing). I will suggest that we have a member of the exchange here who can give you all that.

Mr. ANDERSON. This gentleman is telling us all that.

Mr. VEEDER. He is not a member of the exchange.

Mr. FULTON. The reason I can not tell you that is that I am not a member. But I can tell you this: That a fellow in Omaha owes me money, and he could not pay it to me, and he told me that he had a membership in the exchange, which, if he was thrown out of the exchange, that he would get $1,000 for that membership.

Mr. ANDERSON. Then, it has come to your knowledge that one of these commission men was crooked?

Mr. FULTON. He is a scalper; he is a speculator.

Mr. ANDERSON. Do you think it would do any particular harm if those fellows were required to have a license under certain regulations which would insure a correct statement of things, of how they were done, and if they were done according to the proper practice?

Mr. FULTON. Well, I do not see how you could do that. The banks would back them to the limit. It is a matter of confidence.

Mr. ANDERSON. Do you think it would be any greater hardship on the commission man to have a license from the Government than to have a permit from the stockyards company?

Mr. FULTON. I do not think it would if they did not hedge him around with laws to restrict him in his action.

Mr. ANDERSON. Just why do you think it is necessary under any species of Government regulation to have him hedged about by all sorts of restrictions?

Mr. FULTON. What good would the Government derive from it?

Mr. ANDERSON. Well, we would create some commission in the operation of the stockyards.

Mr. FULTON. The Government would guarantee nothing there. It would just be a matter of policy between man and man, and after a man has dealt in the cattle business, in the stock business, after he has dealt there for 5 years, he has confidence with the men that he is connected with through his business relations.

Mr. ANDERSON. I think you remarked that you had private banks in Iowa?

Mr. FULTON. We have them now. We have four banks in Atlantic, and two of them have deposits of over $2,000,000. One of them is called the Farmers' Bank. The other two banks have deposits around $500,000 each, which makes the deposits over $3,000,000. We can get all the money we want. We have done so for 20 years without any State or Federal inspection.

Mr. ANDERSON. You say there is not any State or Federal inspection?

Mr. FULTON. We have two small banks in the town of Lewis; that is my post office. Some men were willing to put in $5,000, and up to $20,000 or $25,000, according to the way the banks were capitalized. In Cass County I think there must be 12 or 15 banks. In Atlantic there is a bank; there is the Griswold National Bank; the Cumberland National Bank; and all the national banks they are under the Government control; and there are banks just as big as the Atlantic bank with $2,200,000, and no examiner ever comes in there to examine it.

Mr. ANDERSON. You say they have no State examiners?

Mr. FULTON. No; they have tried to get legislation to get them, but have not succeeded. We do not have any bank failures there; we have not had any for years. We have not had a bank failure in Cass County for 25 years, and all the banks are private.

Mr. ANDERSON. Why is that?

Mr. FULTON. There are a number of private banks that do not have to be inspected. That is all.

STATEMENT OF MR. L. F. BRISSENDEN, CATTLE FEEDER, FLORA, ILL.

Mr. BRISSENDEN. Mr. Chairman and gentlemen, I have a few remarks that I have written since Monday that probably got cold, and I can not read them; but I think, however, I will try to give you some of my ideas, and when I get through you can jot them down and ask me any question you wish.

Mr. RAINEY. What is your business?

Mr. BRISSENDEN. I am a farmer and cattle feeder.

Mr. RAINEY. How long have you been a farmer, and how large a farm do you operate?

Mr. BRISSENDEN. My farm contains 800 acres.

Mr. RAINEY. How many cattle do you run?

Mr. BRISSENDEN. I have a good many sheep—400 breeding ewes—and I ship from 10 to 15 carloads of hogs and cattle and stuff of my own. Mr. Chairman and gentlemen of the committee, in addressing you I represent my uncle, Mr. C. F. Brown, of Flora, Ill., and myself. Mr. Brown has fed annually for 30 years or more from 30 to 800 cattle per year, while I, myself, only market from 10 to 15 carloads per year. These few remarks may give you some idea of conditions that exist of things that we have learned by experience. I find while here many phases of the live-stock industry being brought before you. I can not tell you about our brother of the range, but can only speak of our own conditions that exist in our vicinity in Illinois.

We enter into the feeding of cattle and hogs for market with the same feeling that we do in our farming operations. We try to get started right in both. We watch the market and try to buy our feeders as cheap as we can, for well bought is half sold.

Many a stockman, not being experienced in market conditions, buys his feeders too high, and when sold it shows a loss that he too often blames on the packer or commission man of giving them away or the buyer of stealing them.

We usually buy our feeders in the fall when the market has a good supply, and sometimes an oversupply. We experience no trouble in buying on the open market, either of commission men or speculators, and have often seen heavy supplies when there was more than the regular buyers needed and have bought fleshy cattle and taken them home for a little more finish and better market condition, and felt that the packer buyer was really glad to see it done, as the market was glutted and he could not afford to purchase them unless at a lower cost, as he would have to hold them over and stand shrinkage and feed bills until the time came when he could kill them. He would rather see them go out and come back at some future time when conditions might be better and would afford him a supply to keep his men and machinery operating.

There are many things to be considered in the production and marketing of live stock over which we have no control, such as gluts or oversupply. There are times in the year when the producer must reduce his holdings; a little scare or weather conditions comes, and then he sends his stock to market, regardless of the amount of stock and market receipts, and then raises thunder about the packers stealing his stock.

The consumer himself sometimes hurts the producer by demanding certain kinds of cuts of meat at certain times in the year when they demand light cuts of meat and there is a certain demand for extra heavy corn-fed cattle. When an oversupply comes to market that more than supplies the demand, we experience a bad market and a loss to ourselves which we too often blame the packer for. At the present time I have some very heavy cattle and will lose plenty of money, because conditions have changed and the hides have depreciated one-half or more.

Mr. ANDERSON. You are pretty sure of that?

Mr. BRISSENDEN. Yes, sir; in fact, I will say that I received a card from my men in St. Louis the other day in which they stated that the depreciation of the cattle was to a great extent due to a depreciation in the hides which were only selling at 22 cents a pound. You will find that the packer hides were selling at 45 cents or even more.

Mr. ANDERSON. What are hides worth?

Mr. BRISSENDEN. During the last year and a half——

Mr. ANDERSON. During the last year and a half they naturally were higher than now.

Mr. BRISSENDEN. In fact, I had some hides in Chicago and know there has been a material depreciation.

Mr. ANDERSON. How long have you fed these cattle?

Mr. BRISSENDEN. These cattle that I have now—I bought them on the 15th day of August in St. Louis. They weighed averaging 1,110, and I gave $13 a hundred. And I had cattle on the market

on Tuesday before this that brought $16.50, $17, and $18.50. I might say, reverting to what I was telling you when interrupted, that the other by-products are lower. They do not call for this kind of beef now, so I can not expect anything but a loss, over which nobody has any control. I believe that I not only voice our sentiments, but many live-stock feeders, that we desire an early settlement of these investigations and get the public mind at rest, for each time the question comes before the public they become aroused, feel they are bing robbed, and cease buying meat; consequently our product has no demand and we producers suffer in the end. With our foreign conditions as they are, and the public feeling as it does, the live-stock producer is losing heavily at present, and unless the prices get better for the producer, you will soon see a great scarcity, and I believe that if the public would study the wholesale price of meat and the price that they are paying for it they would readily see where the trouble is.

As a small producer I feel that the packers should own or control their own refrigerator cars, being just as essential to their business as it is for the farmer to own his own horses and wagons, as they are always ready when needed. We live-stock shippers have to depend on the railroad for cars and many things. It took days before we got relief last summer. We needed cars for days, and when I went to Chicago I saw many stock cars loaded with ties and lumber, and I believe it would be a loss to the producer in the end if the packers had to wait for days to get cars to market our product.

In regard to some testimony that I have heard before the committee, I would like to speak of one witness who stated that he could buy a steer at one price and sell at same price, feed him corn and make a profit, or hold his money together. I think this impossible under present conditions, and it misleads the public in regard to the cattle feeder.

In regard to the speculators, I think they are a benefit in many ways to the producer. The speculator sometimes acts as a safety valve on glutted markets, giving an outlet to much stuff. It is generally desirable to the shipper to have his stock sold on day of arrival. He gives the countryman who wants to buy a chance to sort and select the type of cattle that he wishes. That is hard to secure elsewhere.

As to the speculator in hogs, I feel that he is beneficial to the producer, for most always he is an aggressive buyer and a bull in the market. Some testimony was offered, and a witness said that packers bought his hogs lower than the other fellow. He said market papers gave quotations this way. He surely was not posted on market lore, where mixed picking is quoted, old sows and stags. We have the shipping grades and other grades that all buyers purchase at prices quoted.

Mr. ANDERSON. Do you think that the packer ought to own the stockyards too?

Mr. BRISSENDEN. No, sir.

Mr. ANDERSON. Why then run this other essential business?

Mr. BRISSENDEN. They are not particularly essential to the business until we can get it.

Mr. ANDERSON. They are just as essential as refrigerator cars.

Mr. BRISSENDEN. The packer has his cars so he can ship his meat and keep the market supplied.

Mr. ANDERSON. As I understand you, it does not make any difference so long as the packer has the refrigerator cars?

Mr. BRISSENDEN. They are well equipped with cars. I wish to say on this point that last summer, when we were wanting stock cars, we applied to the stockyards for cars and got them on time, and after a few days we received the cars and started to market with the stock. I have told you about my stock being too heavy and not being what the market demands and that I would sustain a loss thereby. I wish there were some remedy out of it, but I feel this way, that if the committee can regulate the prices so that it is satisfactory to the producer and all will be pleased, I think, then, we ought to appeal to you to help us. But, as you know, no doubt, in the cattle business it is a good deal like the weather; when we are all making money, it is sunshine. If there are any questions, I shall be glad to answer them.

Mr. RAINEY. You are well acquainted down in your part of the country among the farmers?

Mr. BRISSENDEN. Yes, sir.

Mr. RAINEY. The last few days we have heard suggestions that a great majority of farmers are in favor of a commission and the licensing of the packers. Is that opinion prevalent in your part of the country?

Mr. BRISSENDEN. Not to my knowledge.

Mr. RAINEY. To any great extent?

Mr. BRISSENDEN. Not to my knowledge, that they want to do it. I have fed cattle for 20 years, and when I have bad losses I do not blame the packers.

Mr. VOIGT. As I understand your testimony, the effect of it is that you are satisfied with conditions, as far as you are concerned?

Mr. BRISSENDEN. In a financial way I am not satisfied with the results I am getting this year. I have fed cattle 20 years, and I find these things occur to us.

Mr. VOIGT. In other words, what bad luck you have had in business you do not blame the packers for?

Mr. BRISSENDEN. I do not.

Mr. VOIGT. Do you know whether the packers are guilty of any trade practices adverse to American business interests?

Mr. BRISSENDEN. I do not.

Mr. VOIGT. You do not want to be understood as testifying here that the packers are properly conducting their business. You have no knowledge on that subject?

Mr. BRISSENDEN. No, sir; I have no knowledge.

Mr. VOIGT. Whether the packers need regulation or supervision; you are unable to tell?

Mr. BRISSENDEN. I could not tell you in that regard; no, sir.

Mr. LIGHTFOOT. May I ask the witness a question? I would be glad to have you state to the committee whether you find competitive conditions existing in those markets when you go to buy your stockers or feeders, and is there a competitive market there for the purchase of your cattle?

Mr. BRISSENDEN. Yes, sir.

Mr. LIGHTFOOT. And also, when you go to sell your stuff on the market, do you find competitive conditions in the sale of that stuff?

Mr. BRISSENDEN. Yes, sir; I do.

Mr. ANDERSON. When you speak of competitive conditions, will you tell us how much difference there has been in some of these bids you have received on the market the same day from the packer buyers?

Mr. BRISSENDEN. Well, I only know what the commission man tells me has been bid. My man generally consults me before he sells the cattle, and on the cattle that were sold for $18.50 I heard the buyer bid $18.35 for them.

Mr. ANDERSON. So you know of one case where there were two competitive bids, one $18.35 and the other $18.50, and on that you are assuring my friend here that competitive conditions exist in the market?

Mr. BRISSENDEN. Practically always when my fat cattle go to the market there are at least two or three buyers look at them, and even more, probably. I am not around the yards all the time, but I am quite certain that there is competition, because the packer buyers—so my commission men have told me—would bid on them and that some eastern shipper would buy them and ship them to New York.

Mr. ANDERSON. Of course, you have given this instance of competition between the New York and the Chicago packer, but that would not indicate that there is any competition between the Chicago packers, would it?

Mr. BRISSENDEN. Several years ago a party used to buy many of my cattle. He was Moss Greenwald, I think, and the bill would show they would go to the United Dressed Beef people. Possibly I am wrong, but they were consigned to this man for shipment. They would be sold to this man in direct competition with the meat packers in Chicago.

Mr. ANDERSON. As a matter of fact, you do not know whether there is any competition on the Chicago market or not, do you?

Mr. BRISSENDEN. I have been told by the commission man that he was offered certain figures by the buyers, and that the stock would go at a 10 cent higher figure. I had confidence in the man, and he has told me where the packer buyer bid a price and where an outside buyer would bid a higher price and get the stock. That is all I know and all I can say.

Mr. RAINEY. Have you ever been with the commission men in the yards when the cattle were sold?

Mr. BRISSENDEN. Yes, sir; many times.

Mr. RAINEY. You do not want to be understood as meaning you only know of one instance where there was outside competition on your stock?

Mr. BRISSENDEN. No; it happened a number of times.

Mr. RAINEY. You do know of your own knowledge that the competition is very keen in the stockyards?

Mr. BRISSENDEN. I have known times when the markets were scarce of supplies that the competition would be very keen, and the buyers would be around hunting them, and several different fellows looking at them, and soon they would be gone. I could not say that every one that looked at them bid on them, and only know what my com-

mission man would tell me, but I have always felt that there was competition in the yard.

Mr. ANDERSON. Who was this buyer you have spoken of?

Mr. BRISSENDEN. Moss Greenwald used to buy a lot of cattle for the United Dressed Beef people, I think.

Mr. ANDERSON. How long ago was that?

Mr. BRISSENDEN. Quite a good many years ago.

Mr. ANDERSON. Thank you, Mr. Brissenden.

(Whereupon at 7.15 o'clock p. m. the committee adjourned to meet at 10 o'clock to-morrow morning.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

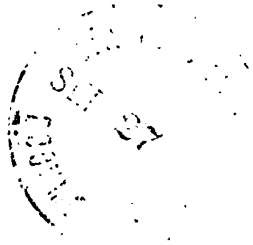
HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

FRIDAY, MARCH 5, 1920



PART 9

WASHINGTON:
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1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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HENDERSON M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

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MEAT PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Friday, March 5, 1920.

The committee this day met, Hon. Sydney Anderson presiding.

Mr. ANDERSON. You may proceed, Mr. Graff.

STATEMENT OF MR. CHARLES GRAFF, BANCROFT, NEBR.

Mr. GRAFF. Mr. Chairman and gentlemen of the committee, I am representing the Nebraska Improved Live Stock Breeders' Association and other allied farm organizations.

Mr. EVANS. Mr. Chairman, may I ask Mr. Graff a question or two to get to the point?

Mr. ANDERSON. If it is agreeable to Mr. Graff.

Mr. GRAFF. Certainly.

Mr. EVANS. Mr. Graff, please tell the committee just what your experience has been and connection is with actual farming in Nebraska.

Mr. GRAFF. Mr. Chairman and gentlemen of the committee, in giving a short biography of my life, I was born and raised in Illinois upon a farm. I moved to Nebraska when I was 21 years of age, which is now over 36 years ago, moved upon a farm, and lived there for just 36 years. My business is and has always been wholly agriculture and live stock.

Mr. EVANS. Mr. Graff, what is the character of the farm that you are working now, is it being entirely cultivated or only a portion of it?

Mr. GRAFF. That farm consists of 350 acres which is now divided into two farms, that my sons are operating. My youngest son is a partner with me in the business. My business for over 20 years has been chiefly raising blooded live stock and general farming and, of course, we raise hogs. In fact, for a period of years, perhaps twenty-odd years, we have bought some grain and we usually try to operate as near as possible to consume the products that we raise upon the farm.

Mr. EVANS. And you market your stuff?

Mr. GRAFF. We market them in breeding stock.

Mr. EVANS. When did you first begin to be connected with agricultural societies, if ever?

Mr. GRAFF. About 20 years back.

Mr. EVANS. Have you been connected ever since with one or more?

Mr. GRAFF. Yes, sir.

Mr. EVANS. Please name the particular societies, giving their purpose, of which you are a member?

Mr. GRAFF. At the present time I am president of the Red Bull Cattle Club of America. I am also president of the Nebraska Improved Live Stock Breeders' and Feeders' Association. I am first vice president of the Nebraska State Board of Agriculture. I have held positions in these different organizations for from 8 to 15 years, perhaps. I have been identified with those classes of people; my work has been chiefly among them.

Mr. EVANS. Have you held any State offices?

Mr. GRAFF. I represented our State in the legislature.

Mr. EVANS. What has been your connection with reference to stockyards, packing plants, what particular ones, and what has been your experience in dealing with them as to length of time?

Mr. GRAFF. Twenty-five to thirty years ago I did, for a small farmer, considerable feeding of cattle and hogs. My business relationship with stockyards and commission men has not been extensive and never was at any time. Mr. Chairman and gentlemen of the committee, I might say that we have heard a great deal this week. I have been here at the hearing continually all week. I have noticed particularly that the packer representatives have been putting so much stress upon the fact that nobody has ever received bad treatment from the commission men, from the stockyards company, or anyone in the live-stock market centers. I am here to say, gentlemen, that so far as I know that is true. My relationship, although it was limited, has always been satisfactory with that class of people. But, gentlemen of the committee, even though that is true, we take it for granted that they have as a great body of business men conducting their business along honest lines, in fact, have treated their customers as they should have, but I can not, for the world, see what that has got to do with this particular legislation. I want to say to you that had it not been for the Federal Trade Commission and the report of their findings this unrest in the live stock business in this country would not be as acute as it is now. I am here to say, men, that when this Government creates an agency to make an investigation, when complaints have been so numerous, and they make a report and their findings are such that those that now stand indicted before this country by that commission, it is about time that we got some regulatory legislation which would do away with such a condition. If I were one of these five packers—I might say that I do not know any of them—there is nothing that I could wish for more than to have me brought to trial, provided that they are telling us the truth. It is the only conceivable way, in my mind, gentlemen, that the suspicion can be removed, so that the American people will feel that justice has been done.

Mr. TINCHER. They have been brought to trial just recently by the Attorney General?

Mr. GRAFF. Congressman, I do not wish to go into politics.

Mr. TINCHER. You are testfying to-day as a stockman?

Mr. GRAFF. Yes, sir. I notice by the papers, by the press at least, that Gen. Palmer is likely to be a candidate for the presidency. I will say right here that I think it is a very unfortunate situation for us all that the Attorney General has seen fit to lighten the burden of these five packers. I do not believe that his position will be indorsed by those engaged in the raising of live stock in America.

Mr. YOUNG. Let us see a moment. Do you believe that these packers should reach out to wholly unrelated industries from that of the packing business, as the grocery trade?

Mr. GRAFF. I might answer that by saying, if we create——

Mr. YOUNG (interposing). That is a simple question to answer yes or no.

Mr. GRAFF. If we create an agency that is effective, and I think that you can do it, gentlemen, I do not care how far the packer reaches, how big he gets, if we can regulate him.

Mr. YOUNG. Well, I am asking the other proposition. The Attorney General is the law-enforcement officer. He has certain laws now on the statute books, the Sherman antitrust law and other statutes. He has proceeded to bring a suit, as I understand, on the civil side of the docket, and he has entered a certain decree against these packers, based largely on the findings of the Federal Trade Commission. In that decree these packers are prohibited from doing certain things, the grocery trade, the stockyards, as I understand, are divorced from the packer ownerships, and things of that kind. That is a decree on the civil side of the docket. Do you oppose that decree?

Mr. GRAFF. No, sir; I am not opposed to the decree, but I do not believe that that will remove——

Mr. YOUNG (interposing). Your position is that you are not opposing what was entered in this decree?

Mr. GRAFF. No, sir.

Mr. YOUNG. But that there ought to be in addition to this decree legislation by Congress?

Mr. GRAFF. Yes, sir.

Mr. YOUNG. Covering the entire packer matter. That, I have no objection to. Your original statement would seem to leave the impression with me, at least, that the country would not approve of this decree. I think the country will approve of this decree, but at the same time I think there ought to be some legislation.

Mr. GRAFF. They will approve of this decree, Congressman, provided we can get some legislation now that will create machinery; that is, that will see that that will not happen again.

Mr. YOUNG. That is what this committee is here for. This decree is based on the findings of the Federal Trade Commission. The packers have pleaded guilty to these findings. I think the decree is approved by everybody, but at the same time that should not preclude Congress from taking its responsibility and enacting such legislation as we think proper after hearing all of the facts in this case.

Mr. GRAFF. But we must have some machinery that will see to it that they live up to this decree.

Mr. O'DONEL. I think this would be an appropriate time to point out to the committee that the unrelated industries do not seem to be included in the Senate bill. There is no reference to the severance of the packers from the unrelated industries that are included in the decree in the Senate committee bill.

Mr. GRAFF. Right here I wish to talk just a moment on cooperation.

It is the first time to my knowledge that the packers have been desirous of cooperating with our people when they were staring conditions in the face that looked to them dangerous. They began,

gentlemen, by bombarding the people of this country with letters, with telegrams, and through the newspapers to create sentiment against any proposed legislation. I can not agree with those who say that all the great public utility service corporations should not be regulated. The time has come when the people of this country will not submit to anything less. The gentleman who appeared before the committee last evening, Mr. Curry, from my State, seemed to think that the country would blow up if through legislation we in any way interfered in trying to regulate public service corporations or public utilities concerns. We have laws upon the statute books in Nebraska along those lines. Senator Curry as much as admitted here that he found no fault with them, such as the guarantee bank law and our State railway commission. That, I think, has been worth the price it has cost the people of the State of Nebraska to enact those bills into law. I was chairman of the banking committee of that session when the bank guarantee law of Nebraska was enacted. I know this, gentlemen of the committee, that the bankers throughout our State put up very much the cry that the packers and the live-stock commission men and all the allied stockyards people are putting up. The fact of the matter is that no one, after running along in any line of business for a period of years without any interference, without any restriction, but that they will rebel when you make an attempt to have a law supervising or regulating them. I can not see, for the world, how that is going to cripple or injure anyone, as long as he is carrying on his business as he would like to make us believe he was.

Mr. SYKES. Mr. Graff, will you allow an interruption?

Mr. GRAFF. Certainly.

Mr. SYKES. I should like to ask if the bankers are still opposed to this guaranty law in Nebraska?

Mr. GRAFF. No; not on your life. I might say that that law has been in operation for some nine years. We have had two State bank failures, as I recall it, during that period. One of those banks went down on account of its close relationship to a national bank. The other one, a few months ago, and the best information that I have as to the underlying causes of the failure of that bank, somewhere up in Senator Curry's district, was caused by a certain man in this country by the name of Townley, who had some agents down there conducting it.

Mr. SYKES. Mr. Graff, will you permit another interruption?

Mr. GRAFF. Certainly.

Mr. SYKES. Have your bank failures been greater or less since the enactment of that law?

Mr. GRAFF. Just as I stated, Mr. Sykes, we have not had any since, except those I have mentioned.

Mr. SYKES. Did you have some failures before?

Mr. GRAFF. Oh, yes; we have had bank failures.

Mr. TINCHER. That is the State guarantee law?

Mr. GRAFF. Yes, sir; it only applies to the State banks.

Mr. TINCHER. The same as we have in Kansas?

Mr. GRAFF. It takes in all banks except national banks, such as saving banks and so on; they all had to come in.

Mr. TINCHER. When the State banks went under that law the national banks secured insurance from insurance companies!

Mr. GRAFF. Yes, sir; the bitterness that was aroused among the bankers in our State in enacting this bill into law caused a number of State banks to liquidate and reorganize into national banks. A few years later the thing got turned round and many national banks in the State then gave up their charters and reorganized under the State banking laws in order to obtain what they thought was an advantage to their business. We felt that way then, and I feel now that the law did more for the State bankers than anything else. It created confidence among the people and resulted in putting their savings into the banks. When those same banks used to be operated up and down along the railroad lines in our State by men that we did not know, sending strangers in to conduct them, why, the cashier could pack his grip and take the train and the depositor would not even know where the officers or anyone connected with the institution was or who they were. We have done away with it. It has been a real benefit to the banking business.

Mr. ANDERSON. Right on that subject, Mr. Graff, one of the witnesses last evening said that they had no State inspection in Iowa. I have since had occasion to inquire about that matter and I find that they have private banks in Iowa that are not subject to State inspection, but they have a State banking system subject to public supervision. I just wanted that to go into the record.

Mr. RAINEY. The point he is trying to make is private banks are not subject to supervision.

Mr. ANDERSON. That is perfectly true; you are correct about that.

Mr. GRAFF. Going back——

Mr. SYKES (interposing). Mr. Graff, if you will just permit me to interject one point right in the record here?

Mr. GRAFF. Certainly.

Mr. SYKES. Since Mr. Anderson has brought up this question in regard to Iowa, I am familiar with the situation there and I should like just to say this. In Iowa in the past they have had a lot of private banks. In the last two years a lot of those private banks have reorganized and have taken out State charters simply to create confidence in their business, because the private bank was not subject to State inspection, and they felt that if they reorganized their banks under the State banking laws and became subject to the State bank inspector that it would assist their business in doing so. Hundreds of private banks all over the State of Iowa have reorganized into State banks in the last two years and for no other reason than that.

Mr. GRAFF. There is nothing, to my mind, that will give a business stability and secure the confidence of the people more than if the public feels that there is some machinery, some Government agency, and some one in authority to investigate when an investigation is called for.

The packer propaganda tried to make it appear through this sort of legislation that in that case that we ought to have laws to regulate my business out on the farm. Of course, we all know that these men are men of large caliber and we know that they are not serious in making these statements. The agencies that they have applied for a year or more in particular—I mean the packers—really have been somewhat of a joke to the average farmer that reads and

thinks for himself. When the packers send men broadcast over this country who have the audacity to inject themselves into all farmers' meetings to tell them what a fine bunch of Sunday-school superintendents these packers are, men that have handles in front of their names and behind their names—I suppose those handles are used when they have to reverse the machinery—I was somewhat amused, gentlemen, when that happened in Chicago a few weeks ago, where there was a bunch of women having a little meeting and a gentleman insisted that he wanted to be heard and he was heard. I do not know how he feels about it. I can not conceive of anything—that to me looks very much as if the packer combination knows they have not done their business in the open.

This investigation of—the publicity that it has received has caused an upheaval among those engaged in the live-stock business that I know will not be removed until those that represent us in the National Congress put some legislation upon the statute books, legislation that will have teeth in it. I do not mean cheap store teeth; I mean the kind that anyone violating the law will feel that those teeth are coming down upon him.

Gentlemen of the committee, in this country great changes are taking place; they are coming rapidly. The American farmer in the grain belt, in the Mississippi and the Missouri Valley district, and that is the bread basket of the United States, is dissatisfied. He is playing a losing game. There are some who tell you that these farmers have been getting rich. Those few that can show anything in amount in this world's goods, who can live their last days in peace, without hard labor, and have created that competence upon the farm is usually a man that has labored from 12 to 16 hours a day, his good wife and the mother of his children and the children big and little have all dug and saved and slaved, and the old farmer, about 9 or 10 o'clock at night, sets the lantern next to the door to be prepared, upon a moment's notice, to get up and get out and look after some of his property.

In that great section of production in this country a man who is not fortunate in having that kind of a family to operate a farm to any extent is up against the real thing.

The towns, villages, and cities are full of young men, robust and strong, with silk shirts, silk neckties, and silk stockings with flowers upon them. Just imagine one of those men going out on a farm. We have hired many of that kind of men in the last few years. They can make from $4 to $5 to $6 to $8 a day and get their feed. They make so much money that they will not stay but a few days at the very best, and usually the farmer is better off when they have gone. There is nothing to-day to invite a young man out upon the farm. The only thing that has helped some is those old, hard-fisted farmers who have given their boys an opportunity to take a little higher education in our agricultural schools; and many of them, unless they can make a little more than a living by laboring all day year in and year out, will take advantage of the first opportunity to let go.

In all legislation, gentlemen, that I recall to mind where a State of this Nation has enacted a bill into law to regulate public-service utilities, it has always been provided that in fixing the rates and compensation for those who have their investments in the enter-

prises that they shall receive a fair per cent upon their capital invested. I might say, when you attempted to regulate the farmer, do not forget to embody that in the legislation. The farmer in the Middle West to-day, if he owns and operates, say, from 160 to 320 acres of land in the corn belt, has an investment of one or two hundred thousand dollars, if he has that farm stocked and if he has it properly equipped. It has been amusing to me, gentlemen of the committee, to hear some of this canned testimony of the packers during the week here. I understand that there is another bombardment coming, but I will be on my way home when it takes place.

Mr. RAINEY. Would you not have some folks here who represent producers and farmers and hear what they think of this legislation, or would you have only one side of this case heard?

Mr. GRAFF. You and I might differ as to who they were representing.

Mr. RAINEY. They will speak for themselves, I presume, when here.

Mr. GRAFF. I feel that I should have the same right as we grant you?

Mr. RAINEY. Certainly.

Mr. TINCHER. I have heard it estimated—I do not know whether it is true—that the parties attending these hearings for the packers are salaried men with salaries that probably amount to $600,000 a year—that is, in attendance upon these hearings. Of course, the farmers have no organization by which they can compete with an organization of that kind, and so they have to depend to some extent upon the Representatives whom they elect to Congress to represent their interests.

Mr. RAINEY. Have you heard any estimate as to the salaries and incomes of the gentlemen testifying here in favor of the bill?

Mr. TINCHER. Yes, sir; I heard that estimated, that the total salaries would run in the neighborhood of $10,000.

Mr. RAINEY. You should have been here yesterday and heard representative farmers and producers opposing this legislation.

Mr. TINCHER. I was away from the committee a couple of hours yesterday afternoon. I understand that there were two packer farmers here.

Mr. WILSON. And very successful ones.

Mr. TINCHER. They live in Omaha—one of them.

Mr. RAINEY. I think you are mistaken; they do not.

Mr. SYKES. Mr. Graff, I should like to ask you one question?

Mr. GRAFF. Certainly.

Mr. SYKES. I think it is important, on account of your long experience with the producers of your State and other States. Do you think they would come here and testify in behalf of the packers on their own initiative if they were left alone—that is, I mean testify against legislation for the control or supervision of the packers?

Mr. GRAFF. I can not see how such a condition could arise, Mr. Sykes. In connection with that, I might say that I am paying my own expenses in coming down here, but I believe that the associations that I represent will pay me back that money.

If you will take the pains to read the testimony before the Senate committee last September by three representatives who appeared

before that committee from Nebraska, you will find in that testimony my name connected with it. I might say here that Mr. E. L. Burke, Mr. C. H. Gustafson, and Mr. C. W. Pugsley, their testimony is right in this little book.

Mr. SYKES. What is that book?

Mr. GRAFF. I do not know.

Mr. ANDERSON. That is volume 5 of the hearings before the Senate committee, is it not?

Mr. GRAFF. It began on September 12, 1919, Mr. Anderson.

Mr. RAINEY. The gentlemen referred to have made considerable money farming, have they not—Mr. Burke and the other gentlemen you referred to?

Mr. GRAFF. Well, I would not like to give the history of those men, Congressman. There is one of them in particular who has never made any money farming and has farmed all his life. One of those men at this time is editor of the Nebraska Farmer.

I would like to digress just a moment as you have asked the question. The Nebraska Farmer in its editorials in connection with this legislation is approved by the farmers of Nebraska. I might also say that Senator Capper's weekly of Kansas is another publication.

Mr. RAINEY. He is a farmer, is he not?

Mr. GRAFF. It does not make any difference what he is. I know a lot of lawyers, and they are cracking good, substantial men, and I would take their word for almost anything.

Mr. RAINEY. But I say Senator Capper has been a successful farmer.

Mr. GRAFF. I do not know anything about Senator Capper's life. It is his publication I am talking about.

Mr. RAINEY. That is the reputation he enjoys in the community where he lives, is it not?

Mr. GRAFF. It is his publication I am speaking of. I know nothing about Senator Capper's life. I also know something about an Iowa publication.

Mr. TINCHER. If the Congressman wants to know, the Capper Pig Club of Kansas, I suppose, is the biggest thing of its kind in the world, and Senator Capper has probably been directly responsible for boys raising more live stock than any other man in the history of our country; and he is a farmer in Kansas, and can command the respect and vote of 90 per cent of the farmers of Kansas, without reference to their political affiliations, at any time he wants to.

Mr. RAINEY. Financially, he has been a successful farmer.

Mr. TINCHER. I think he has been somewhat of a philanthropist. He has made many a boy and many a farmer successful, and probably knows as much about the intricacies of production as any other man in the United States.

Mr. RAINEY. The testimony here shows the packers have helped a great many farmers and producers.

Mr. TINCHER. I think they did give some money to a county fair in Georgia.

Mr. GRAFF. Now, to resume, I happen to know of a farm publication in Iowa edited by Mr. Henry Wallace, jr. I knew Henry Wallace, sr., also.

I wish to ask this committee in particular to go over carefully the testimony of those men whom I have just mentioned; and I feel free to say, gentlemen of the committee, that the testimony of those men, from that great section of production in this country, I honestly believe represents 90 per cent of the population—that is, in their editorials and their position on this question.

Mr. SYKES. You mean the producers?

Mr. GRAFF. I will take in the consumers, Mr. Sykes.

Mr. SYKES. All right, then.

Mr. GRAFF. Yes, sir; we all must live together in that country. The consumers are also vitally interested. The packers have done their part to make the consumers believe that it was the farmer who was raking in all these shekels.

Mr. ANDREWS. Mr. Chairman, may I interrupt right there? If the farmer is making all this profit, how does it happen that the prices of the finished products go up while the prices to the farmer go down, as they have recently?

Mr. GRAFF. Well, there are so many things, Congressman, that to the farmers are mysteries; if we understand anything, we only understand our end of the game.

I believe I told the chairman of this committee that I would not consume over 30 minutes. It has taken a little longer. I wish to leave this thought with you: We look upon you men as our servants. You represent us and our interests, and when I say that I mean every man, woman, and child in the districts that you represent. Why, I would consider Congressman Rainey might be classed as a traitor if he did not clash with us, perhaps, on what would be proper legislation along these lines. I have been told that he represents the greatest packer district in this country. I am glad that they saw to it, at least, they have got a representative or two here.

Mr. RAINEY. I wish you would not limit it to a packer district, but say the greatest district in the United States.

Mr. GRAFF. As I say, you are our servant. We feel that some constructive, well-defined legislation is needed in order to establish confidence again—I will not say reestablish, because I do not know the time when absolute confidence lurked in the minds of the producers of meat toward the big packers in this country. By legislation you can remove that feeling.

We do not want to injure any packer. I am opposed to any radical legislation that would mean disorganization and chaos throughout the country in our big industries; I mean legitimate industries; and the packing industry is a great one and a legitimate one. It is needed. My people do not wish to injure them, but let us get legislation that will establish confidence among the people toward the packers.

We will need something to give our young men on the farms the spirit of wanting to continue in this line of work.

It is to you, gentlemen of the committee, that we look for relief. Will you give it? Can you?

Mr. VOIGT. Mr. Graff, just what legislation have you in mind? What do you propose?

Mr. GRAFF. I have not had any well-defined legislation in mind, Congressman. I might say that the revised bill I have only had an

opportunity in the past week to look over, and that part of the bill creating a commission looks very good to me. I realize there is very much opposition to commission form of government. This commission is not given any judicial powers. It is only to create an agency where those who feel they have a just grievance can put their protests before; and if that grievance, upon an investigation by the commission, proves to be well founded, then the matter can be taken into court and adjudicated. It seems that at the present time we have not the proper agency to handle these things.

Mr. VOIGT. Then, in a general way, you wish to indorse the bill reported by the packers?

Mr. GRAFF. In a general way, I wish to indorse it; yes, sir. I believe it is less drastic than the Kenyon and Kendrick bills. It is more concise. It does not go as far. I believe it eliminates some of the serious objections that the opposition raised to the other bills. I believe it shows a spirit upon the part of our people that we are always willing to go halfway or more.

Mr. VOIGT. What do you think of the policy of permitting the packers to own refrigerator cars?

Mr. GRAFF. Oh, I have not any decided opinion upon that. I think that is a matter that can be regulated by such an agency. I have not any objection to the packers owning all the refrigerator cars, if we have some agency that will see to it that they can not thereby have a monopoly in the meat-carrying business in this country.

Mr. VOIGT. If the packers, according to your statement, should own all the refrigerator cars, no matter how well they are regulated, would not that give them a monopoly of the fresh-meat business of the country?

Mr. GRAFF. It certainly would, under present conditions. It certainly would.

Mr. VOIGT. Well, if you give them all the refrigerator cars and then regulate them, you will still be regulating a monopoly, will you not?

Mr. GRAFF. Yes; but I am given to understand, gentlemen of the committee, that in the railroad bill there is a provision made that the transportation lines must furnish refrigerator cars. Am I correct?

Mr. VOIGT. I understand so. You said that your latest bank failure was due to a man by the name of Townley?

Mr. GRAFF. Yes, sir; the celebrated Townley; I do not know what his initials are.

Mr. ANDERSON. Do you refer to A. C. Townley?

Mr. GRAFF. Yes; from up in your country somewhere.

Mr. ANDERSON. "The main guy" in the Nonpartisan League?

Mr. GRAFF. Yes, sir.

Mr. VOIGT. I do not represent the Nonpartisan League, but I believe in being fair.

Mr. GRAFF. Yes.

Mr. VOIGT. You make the direct charge that the failure of that bank was caused by Mr. Townley?

Mr. GRAFF. By Mr. Townley and his agents. That is the best information obtainable by the people in our State, disinterested people.

Mr. VOIGT. Will you state, briefly, how Mr. Townley and his friends brought about the failure of that bank?

Mr. GRAFF. I can't do it.
Mr. VOIGT. Have you any knowledge on the subject?
Mr. GRAFF. Only as I stated.
Mr. VOIGT. You make this charge from hearsay?
Mr. GRAFF. Yes, sir; absolutely. Personally, I know nothing about it, Congressman.
Mr. VOIGT. That is all.
Mr. VEEDER. May I ask Mr. Graff a question? Did I understand you to say, Mr. Graff, that you are not familiar with the methods of transacting business, personally, at the stockyards?
Mr. GRAFF. No; I did not say that, Mr. Veeder, but not extensively.
Mr. VEEDER. Not extensively?
Mr. GRAFF. No.
Mr. VEEDER. Upon what grounds, if not your personal experience, do you base your opinion that the packing companies should be regulated? What are your reasons as to why they should be regulated; upon what grounds do you base that?
Mr. GRAFF. Oh, those reasons are the findings of the Federal Trade Commission. I think that ought to be sufficient, Mr. Veeder.
Mr. VEEDER. Mr. Graff, you spoke of packer combination.
Mr. GRAFF. Yes.
Mr. VEEDER. Do you know whether, personally, there is or is not competition at the stockyards?
Mr. GRAFF. No; I do not know anything about it.
Mr. VEEDER. Then, on what do you base the charge that there is packer combination?
Mr. GRAFF. The same thing.
Mr. VEEDER. And the same thing as regards the violations of the law.
Mr. GRAFF. Yes; the same thing.
Mr. VEEDER. Mr. Graff, the statement was made here that prices of meat go up and prices of live stock go down; do you know whether that is a fact or not?
Mr. GRAFF. No; I do not know much about it.
Mr. VEEDER. That is all.
Mr. ANDERSON. Mr. Graff, if you will refer Mr. Veeder to Swift & Co.'s yearbook for 1920, I think you will find there a table which does show that the prices of by-products went up when the prices of these cattle went down, and for Mr. Veeder's information, I should like to refer him to pages 32 and 33 of the 1920 yearbook.
Mr. VEEDER. Do you know anything about that, Mr. Graff?
Mr. GRAFF. No, sir. I buy a little meat and I pay for it, and I do not know whether it is high or low. I am not informed on those matters.
Mr. VEEDER. That is all. We will be glad to take that up.
Mr. ANDERSON. I suggested it, because I think it ought to be taken up and we shall listen to any explanation I hope with neutrality and with great pleasure.
Mr. WILSON. Mr. Graff, I was not here when you started your testimony. What State are you from?
Mr. GRAFF. Nebraska.
Mr. WILSON. I thought so, but I was not sure. Are you a farmer?

Mr. GRAFF. Yes, sir.

Mr. WILSON. And a stock raiser?

Mr. GRAFF. Yes, sir.

Mr. WILSON. Did you tell the committee before I came in the number of cattle you raised a year?

Mr. GRAFF. No; I did not.

Mr. WILSON. Just for my own information, I would like to know just about the extent of your stock raising and farming and just what experience you have had along that line.

Mr. ANDERSON. We went into all of that, except he did not state the number of cattle he raised.

Mr. GRAFF. We raise, as a rule——

Mr. WILSON. Whom do you mean by "we"?

Mr. GRAFF. Well, my son and I; my youngest son, who is in partnership with me on the old farm. We aim to raise from 25 to 35 calves a year; that is, we keep that many cows on hand. Our herd usually consists of from 60 to 70, and it sometimes runs up to 120 or 130. It is the breeding business, you understand.

Mr. WILSON. Then, you are more of a breeder than you are of a man who fattens cattle?

Mr. GRAFF. We are not feeders. I have not fed cattle for over 20 years.

Mr. WILSON. I suppose, then, you sell your bull calves, do you not, the first year?

Mr. GRAFF. Yes; we sell everything.

Mr. WILSON. I did not know whether you kept the heifers or not. I simply did not know to what extent you were a stock raiser.

Mr. GRAFF. I wish to impress the committee with this fact, Congressman Wilson not being here when I started: About five weeks ago my two sons and I made a draft sale of blooded cattle at South Omaha, and my sons were telling me afterwards that in talking with a man connected with the Journal Stockman of South Omaha, when my sons were telling him about some of the shabby treatment that we got—it was not upon the part of the managers, but it seemed the helpers that they had to look after our cattle, such as unloading, and so on—this gentleman connected with the Journal Stockman incidentally told my son that we had no use for them, anyway. He said, "Your father is against us; he is with that Gustafson-Pugsley bunch." Now, I do not look at those things in that light. This gentleman took exception to a statement that Mr. Pugsley, editor of the Nebrasba Farmer, made in his report before the Senate committee, and if you will give me the time, Mr. Chairman, I will just read that, in order to show the Congressman how they will grab at things to criticize.

This is on page 63 in this report. I do not know what you call it. I think it is on Senate 2199 and 2202.

Mr. ANDERSON. Volume 5.

Mr. GRAFF. Mr. Pugsley here said:

> Your committee is undoubtedly familiar with the fact that practically every live-stock shipper, whether of hogs or cattle, receives one of these market papers—

That, of course, includes this Journal Stockman of South Omaha.

A daily paper, in most instances, from a commission man without paying anything for the paper. The circulation of these live stock market papers is made up largely in that way. Being a daily and carrying also the news of the day, it naturally becomes the farmer's most generally read paper. He gets the telegraphic news and he gets market information. The Federal Trade Commission's report shows that some of these papers are owned by the packers, or apparently owned by the packers, and it is the belief of the Nebraska farmers that all these papers are dominated, either by the packers or the commission men who make the papers possible, or by the stockyards company where they are published.

Now, who don't believe that, gentlemen of the committee? Who don't believe that?

Mr. WILSON. I do not know a thing about it, Mr. Graff, but I do remember that when I was a boy, my father got a live-stock journal every morning.

Mr. GRAFF. Yes.

Mr. WILSON. And I know he paid for it at that time, but of course, that was a good many years ago.

Mr. GRAFF. Yes.

Mr. O'DONEL. We do not pay anything now for it.

Mr. WILSON. I do not know whether they pay anything for it now or not. I do not know a thing about that at all.

Mr. GRAFF. I am inclined to hope, at least, that some of them are still paying for them.

Mr. WILSON. I do not know. You pay for yours, of course?

Mr. GRAFF. I do not get it, no; I am not in the feeding business.

Mr. WILSON. Then you would not know.

Mr. GRAFF. I am not much interested in the markets in that way.

Mr. WILSON. Let me ask you this question. I asked one of the witnesses here the other day the cost of the production of a yearling steer in his country.

Mr. GRAFF. Yes.

Mr. WILSON. You may have been here at the time.

Mr. GRAFF. I was here. It was Mr. Sykes.

Mr. WILSON. No; it was not Mr. Sykes, but Mr. Lasater, I think.

Mr. GRAFF. Yes; Mr. Lasater.

Mr. WILSON. What does it cost you to produce a yearling on your farm?

Mr. GRAFF. Well, we sell our male calves largely around at 12 to 15 months, or say from 10 to 15 months old, and we receive an average of about $250.

Mr. WILSON. Yours are sold as breeders?

Mr. GRAFF. Yes.

Mr. WILSON. Then you have a fine class of stock, and if you are selling them only for breeding purposes, of course, you would not be able to tell what a feeder costs.

Mr. GRAFF. What I was trying to bring out, Congressman, was this: We can not see where we are wallowing in wealth now at those prices. We are making a living. I wish to impress on Congressman Wilson's mind, not being here at the beginning, that I am not here representing my own individual views, Congressman.

Mr. WILSON. I presume not.

Mr. GRAFF. Any more than I am the people throughout that section of the country.

Mr. WILSON. I can see that very plainly.

Mr. GRAFF. I believe in the statements I have made to you this morning, and I believe they would be indorsed by 90 per cent, or better, of the people in our section of the country.

Mr. SYKES. Mr. Graff, I would like to ask you a question: Are your Nebraska farmers in the corn-belt section producing these cattle for the feed yard; that is, growing them for feeding purposes to any extent?

Mr. GRAFF. No, sir. They used to grow quite a few cattle in our section of the country, but it is a losing game. If it was not for the fact that the farmer and his household uses more or less milk, cream, and butter, and that he must have cows, he would not raise any cattle. It is true that the progressive, up-to-date farmer raises more or less cattle in order to keep the condition of his farm in such fertility that those who follow him can not say that he was a robber on American soil.

Mr. SYKES. You were present the other day when I gave my testimony concerning the cost of producing a yearling calf.

Mr. GRAFF. Yes, sir; and I thought it was very poor, too; very poor testimony.

Mr. SYKES. In what way, Mr. Graff?

Mr. GRAFF. There was nothing figured in for depreciation of the things that a man on the farm must have when he is raising those calves. There is considerable of an expense of upkeep in fences, yards, and equipment and things; and not alone that, it seemed as though you were just doing that for the fun you got out of it. Now, you take these big corporations, they dish out fine salaries to all their people, their families, and I think I have read of them, where there were still ancestors drawing salaries where there were tombstones sticking around for them and had been for years. The American farmer does not know anything about salaries except the salaries he pays.

Mr. BORDERS. You do not mean to infer that any case of that kind applies to the packing industry?

Mr. GRAFF. Oh, no; I want to say, Mr. Morris, I believe is your name?

Mr. BORDERS. No. But I just wanted you to cite a case, if you mean it.

Mr. GRAFF. These are readings.

Mr. BORDERS. Oh, just general talk.

Mr. GRAFF. Yes; I did not read them in any packer journal or anything. I take it for granted that these packers are just about as square as I am.

Mr. BORDERS. Let me ask you this——

Mr. GRAFF. I want to feel that way.

Mr. BORDERS. Yes; well, if you are as square as the packers, you are all right, and I just wanted to know whether your remark referred to any packer salaries.

Mr. GRAFF. I was referring to corporations.

Mr. BORDERS. Generally.

Mr. GRAFF. I think I made myself plain when I made the statement.

Mr. YOUNG. I see by the newspaper reports that one of these great packers has set aside $6,000,000 for some kind of a memorial fund.

Mr. AMES. Since you have been keeping a cost account of producing your beef herd, representing some hundreds of cattle put on the market, have you the cost price of raising a bull calf a year old, so that you can give this committee some idea of the cost of raising a calf in the farming districts to the age of one year?

Mr. GRAFF. No, sir; I have not. The nearest I can give anything like that in connection with our business is this: My son, who is connected with me in this work, who operates the farm on a partnership basis. We began seven years ago. He purchased a half interest in all the live stock, machinery, and tools and things to operate that farm, and we conduct it on the fifty-fifty basis in that way. It has been very satisfactory to both of us. He makes an annual inventory and has done so during these seven years.

He is a man 28 years old. He is a little bigger than I am—physically a very strong man. I consider him well equipped for the work that he is doing. He is a graduate of the University Farm School of our State.

As I said, he makes an inventory, and it shows that he has not got any income tax to pay on an investment of some $20,000; that is, he and I together. He is a married man and has a baby.

If there is a man anywhere who has applied more brain and brawn, longer hours of work all week long and on Sunday, for the past two years at least, he is a good one. My son has done all this work. He has "joy rode," sports back and forth to town in Fords considerably, but he really did the work, and that is all he has got to show for it.

Mr. SYKES. I just wanted to ask Mr. Graff one more question. Mr. Graff, aside from the things you criticized in that statement of mine as being weak, would you say that that statement fairly represents the cost of producing a yearling calf in the corn belt?

Mr. GRAFF. It is a matter, Mr. Sykes, that I have not gone into, but it would appear to me that if we could not get more for a 12-months-old calf than seventy-odd dollars, was it——

Mr. SYKES (interposing). It was $78.

Mr. GRAFF. We could not break even; it could not be done.

Mr. SYKES. You think those cost figures are conservative?

Mr. GRAFF. I think they are low.

Mr. WILSON (presiding). Before you close let me ask how are we going to make a price to satisfy your beef cattle and satisfy the beef cattle that are raised in Texas, Oklahoma, and in other States where they are raised much cheaper?

Mr. GRAFF. I would say, Mr. Congressman, that has been brought out fully, I think, in the hearings during the week. I have been here all week; perhaps you were not present.

Mr. ANDERSON. Mr. Wilson likes to have things gone over again for his benefit.

Mr. WILSON. Oh, no; I do not.

Mr. TINCHER. Mr. Sykes said he could not afford to produce steers in his country at all.

Mr. WILSON. I did not hear Mr. Sykes's statement.

Mr. TINCHER. And therefore he does not produce his own feeders, but goes to the Missouri River markets and purchases them; and the gentleman from Tazewell, Tex., gave his figures of production as $40.

Mr. WILSON. This gentleman here said $78.

Mr. TINCHER. The man from Texas could not produce finished beef and cattle; he could not feed them out like Mr. Sykes does.

Mr. GRAFF. That is what I was trying to tell them, Mr. Congressman. There has been so much evidence injected into the hearing here, principally by those on the outside asking questions, as I remember it, about whether, in our opinion, we could get legislation that would increase the price of our cattle or live stock. I am sure there is no one representing the live-stock interests that has anything of that kind in mind.

Mr. WILSON. I have no such idea, and I do not think anyone here has had.

Mr. GRAFF. The man in Texas who produces those calves, as Mr. Lasater said, and sold them for $35 a head, sends them north into the corn belt, and they are finished out into baby beef or ripe beef, the kind of beef that you like to eat, and you appeared to me as if you might have had a little of it, since you look well. [Laughter.]

Mr. WILSON. I have only had two pieces of steak this year.

Mr. GRAFF. We have not in mind that legislation can increase the price of these products. But we do have in mind only one thing, and that is to remove that feeling that has come over the American people now, and especially the people upon the farms. We want something that we feel there will be stability about, that there will be something to regulate matters in connection with this industry that needs regulation.

Mr. ANDERSON. I would like to have the committee listen to Mr. Collins. Mr. Collins, give the reporter your name, residence, and state the business you are engaged in.

STATEMENT OF MR. CHARLES E. COLLINS, KIT CARSON, COLO.

Mr. COLLINS. My name is Charles E. Collins; residence, Kit Carson, Colo. I am here representing nobody officially except myself, but I believe that my views represent at least 90 per cent of the real producers of this country.

Mr. SYKES. What is your business, Mr. Collins?

Mr. COLLINS. I am in the cattle business, farming business, banking business, and some other outside lines that I am interested in. There has been so much covered in this hearing here this week that it would be impossible to touch on all of it even in a small way, so I am going to be as brief as I can and get these things before you as quickly as I can.

In the Denver Daily Record Stockman, of the 27th of February, 1920, there is a signed telegram addressed to Hon. L. C. Phipps and Hon. C. S. Thomas, United States Senate, Washington, D. C., with copy to Hon. J. B. Kendrick. Senators Phipps and Thomas are from our State. I will just read this telegram into the record. [Reading:]

UNION STOCK YARDS,
Denver, February 24, 1920.

Hon. L. C. PHIPPS,
Hon. C. S. THOMAS,
United States Senate, Washington, D. C.
(Copy to Hon. J. B. Kendrick.)

We learn the new Kendrick-Kenyon bill is before the Senate, and Senator Kendrick pushing strongly the passage of this bill. We attended the American National Live Stock Association convention at Spokane during January of this

year, and the principal subject under discussion there was packer legislation. Senator Kendrick publicly stated his future action at Washington would be governed largely by the action of the convention. The resolution calling for "prompt Federal legislation" was defeated, and it was clearly the sense of the convention that no further agitation of the question be had until the Palmer agreement be given a fair trial. We returned to our people with this news. Again we learn the agitation is up and causing cattle feeders and producers untold losses—$25 to $50 per head on cattle. Use your efforts to stop this bureau legislation and let our industry return to sound and fair basis, thereby encouraging production. We know that further agitation of this question will drive many people out of the live-stock business, and we seriously protest against this bill with its bureau registration rules and regulations.

CATTLE AND SHEEP PRODUCERS OF COLORADO.
BEN KEMPER
W. A. SNYDER.
A. G. PREY.
MARK BEETHAM.
CHAS. CLAYTON.
FRANK WHEEREN.
JOHN O. HALL.

Mr. ANDERSON. I judge from that telegram that the less the stockmen know what is being done to them the more likely they are to stay in the business.

Mr. COLLINS. That is right—the more likely they are to stay in the business.

Mr. O'DONEL. Will you state who those people are, if you know.

Mr. COLLINS. I am going to tell you about these gentlemen. I personally know every one of them, with the exception of the last two names.

Mr. Ben Kemper is a commission man at the stockyards in Denver. He is also interested in a loan company.

Mr. Snyder is a commission man connected with a loan company.

A. C. Prey is a commission man.

Mark Beetham is a commission man.

Charley Clayton is a feeder and trader on the yards.

The other two gentlemen I am not personally acquainted with; I do not know who they are.

Mr. ANDERSON. Are all of these gentlemen connected with the exchange or the stockyards in Denver?

Mr. COLLINS. Every one of them. Now, I want to say that these gentlemen——

Mr. ANDERSON (Interposing). Denver is the market that was designated as a "50–50 market"?

Mr. COLLINS. Yes. I know every one of those gentlemen, and I want to say for them that I do not know of any better men than they are. I do not know anybody that I would take their word any quicker than I would the word of those gentlemen; and I do not blame them one iota for sending this telegram, because they are sending it in the interest they have in their business, and I think every man has a right to defend the interests of his own business, if he wants to.

There has been a great deal said about Charley Clayton. I want to say that I think Charley Clayton deserves a great deal of credit. He is a man who has earned a wonderful success. We have always felt that Charley Clayton had a little inside arrangement at Denver, but I feel that if he was able to get that I do not know that it is anybody's fault except the laws under which we operate. But he is a good man.

Mr. SYKES. Mr. Collins, does that telegram state the facts in the case concerning the Spokane meeting?

Mr. COLLINS. I do not think so. Mr. O'Donel injected into the records here the other day the resolution. I could read it here, but it is not necessary. It does not say one word about delay in legislation, and I talked to Senator Kendrick about this, and he was surprised to think that those gentlemen would go back to Denver and do that, and the matter was harmoniously settled at Spokane, and he had no idea there would be any such thing as that come up at all.

I wish to say in connection with that, while I am on this Colorado subject, that I want to read into the record a resolution adopted by the Farm Congress of Colorado at its annual meeting at the Agricultural College, Fort Collins, December 16, 1919 [reading]:

Resolved, That we approve as helpful and needful legislation the measures now pending before Congress, known as the Kendrick-Kenyon bills, relative to Government regulation of the meat-packing industry; and be it further

Resolved, That we do hereby request our Senators and Congressmen to support said measures and earnestly endeavor to secure their passage through Congress.

That was a meeting held at Fort Collins, at the Agricultural College, and there was a very large gathering there, and the packers were very ably represented by ex-Gov. Ammon, and he was defeated.

I also wish to say—I have not got the resolution here—but the Farmers' Union organization of Colorado, in their convention in Denver the latter part of January, indorsed this legislation, and also the State grange indorsed it.

Mr. SYKES. Mr. Collins, right in that connection, have you any farmers' organizations in Colorado who are opposed to this legislation, who have come out openly and opposed it?

Mr. COLLINS. I understand that the secretary of the State grange—I am not really familiar with that, but I am satisfied I am practically correct—came down here last year and testified before the Senate committee that they were not in favor of it.

Mr. John Creighton, who is very active in the farm organizations out there, appeared before the grange this year at their meeting and aired this whole thing and took it up, and the secretary was let out this year.

Mr. SYKES. That is what I wanted to bring out.

Mr. COLLINS. He was dismissed from the grange.

We have quite a good stock-growers' association in Colorado. The president is John P. Klug, of Greeley. We have had a running fight with the packer representatives—I do not say they are their representatives, but they are the people favorable to the packers, the commission men principally, and the stockyard representatives. They have been active all through the year. In January, 1919, we passed a resolution in favor of packer legislation, and they immediately commenced working on our president and on everybody and tried all during the year to get the executive committee to reverse that convention and say that they were opposed to this legislation. They were not able to do it.

So, at our meeting in January of this year, the day before our convention met, there were about 40 representatives from the stockyards came downtown and joined our association. We think they did it for the express purpose of being able to vote at our meeting to

smother out packer-legislation resolutions. We finally got a small resolution into the convention, and we fought it all day there. Their able representative, McKenzie, was there on the floor. We had to call him down several times, as he was not a member of the association, and that he was representing the packers and not the producers.

So we finally adopted the following resolutions, which I will read into the record. This was adopted on January 16–17, 1920. [Reading:]

Resolved by the Colorado Stockgrowers' Association in convention assembled, That we favor legislation by Congress providing for reasonable regulations of the meat-packing industry, the public stockyards, and market instrumentalities.

Resolved further, That whatever regulation is found necessary to control any branch of industry should be prescribed by fixed rule of law, and not by the grant by Congress of any arbitrary, discretionary power to bureau or officials.

We had an awful "scrap" at our convention over indorsing that resolution, and it was the only thing I remember of in all the years we have had a meeting that we ever had to call a roll on. But they insisted on calling the roll, and we carried it by two or three hundred votes.

Mr. YOUNG. You carried the resolution?

Mr. COLLINS. We carried the resolution by two or three hundred majority.

Mr. SYKES. Did we understand you to say that just prior to holding your convention that about 40 stockyards' men and commission men had come down and joined your association?

Mr. COLLINS. Yes; those 40 joined our association. According to our by-laws people can join personally by paying $5, and these gentlemen had never belonged before, but they came down there the day before and paid their $5 personally and joined.

Mr. SYKES. And they were the men who opposed the passage of the resolutions in which your convention wished to concur?

Mr. COLLINS. I will say that those gentlemen did not take very much hand in it. McKenzie and Swift's manager were the principal men who took part in this.

Mr. RAINEY. Do you remember how many votes there were for and how many there were against?

Mr. COLLINS. We voted by associations and by members there who were voting the representation of their association. Our association in Colorado was composed of about 50 local organizations throughout the State, and they sent a representative down there, and that member voted the association. So, as I remember, I think there were in the neighborhood of 350 to 400 voted for it and about 600 or 700 voted against it.

Mr. RAINEY. By those 600 or 700 you would not have us understand that everybody who voted against it were packers?

Mr. COLLINS. No; I do not infer that at all, because there are not that many packers there. But I will say that when it got down to the individual's vote on the floor, the people who were present, with this additional bunch from the stockyards, that the members present had a majority—they had a majority there, because the people are only represented there by their delegates, and each association is entitled to so many votes, and then each individual member is entitled to one vote, and when it came down to the individual vote they had us beaten in that day's convention.

Mr. SYKES. These people from the stockyards all lined up with the opposition, we are to understand?

Mr. COLLINS. Every one of them, to a man.

Mr. RAINEY. These people from the stockyards were commission men?

Mr. COLLINS. That is it.

Mr. RAINEY. They were interested in the development of their business?

Mr. COLLINS. I say they were.

Mr. RAINEY. They had a right to vote that way?

Mr. COLLINS. Absolutely.

Mr. RAINEY. Were the people who voted as suggested by Mr. Sykes producers?

Mr. COLLINS. Yes.

Mr. RAINEY. They voted in favor of it?

Mr. COLLINS. Some producers voted against it. I have no grievance against these men who voted against these resolutions directly in this. By nature I am a packer, absolutely, because out in my country I oppose everything that I think is going to interfere with my business at all. I am a natural kicker out there when it comes to taxes. Whenever anything comes up in our country which has any tendency to increase taxes I do not ask what it is for—I am against it on general principles. I just paid my taxes the other day in Colorado. I paid the first half of my taxes, which amounted to $2,552.95, representing a total tax of $5,100 and over.

Mr. ANDERSON. That is your personal property tax?

Mr. COLLINS. My personal property tax, and property tax is very low in my district.

I am not here with any cry that I have not made money, for I have made money. If I have not made money I have been fooling myself for several years.

Mr. SYKES. Mr. Collins, one more question on this resolution: Were these people who were opposing that resolution representing the producers of your country or were they representing the other side?

Mr. COLLINS. I will tell you, there are a lot of our people in Colorado, as well as everywhere, who are tied up either with the loan companies, the commission firms, or with their personal friends, or with the banks, and they have made inroads all on lots of our producers through good fellowship—friends, banking connections, or through their commission firms—and I believe a lot of these producers throughout the country are opposing this legislation because they have not studied the question and are not well posted and are doing it because the commission men and bankers have told them it was detrimental to the country.

Mr. SYKES. I was speaking more particularly of the commission men.

Mr. COLLINS. How?

Mr. SYKES. I was speaking more particularly as to whether the commission men really represented the sentiment of the producers.

Mr. COLLINS. I do not think they do. They may represent a few; no doubt they do.

Mr. SYKES. But the sentiment in general of the producers they do not represent?

Mr. COLLINS. No. As I told you, if I would go out through the——

Mr. ANDERSON (interposing). I think we will have to adhere to the rule of the committee and permit Mr. Collins to go on with his statement without interruption.

Mr. COLLINS. I think if I would go out through Colorado and step up to every man and ask him if he was in favor of some kind of a law that would give him more information as to what the big packers were doing and some supervision over the commission men so we would know whether we were getting a square deal or not, I believe that 90 per cent of the producers are in favor of some legislation of that kind. I do not believe there is a producer in the United States who wants to have any legislation that will anyway in the work break up the big packers at all. I do not think they have that feeling at all.

Mr. HULINGS. These resolutions passed by this convention of these farm organizations are evidently induced by a feeling of grievance. What are some of the specific grievances which they wish cured?

Mr. COLLINS. Absolutely.

Mr. HULINGS. I say, what are some of the specific grievances? I have listened to some of this hearing going on, and representatives of the farm organizations speak in general terms all the time. What is it they complain about? Why do they object to these things?

Mr. COLLINS. My explanation of that would be that I think that every farmer or stockman who has shipped cattle to market for some time or other has got a deal that does not suit him; it does not look good to him; he feels that his cattle did not bring enough; he feels that the packer got too much the best end of it; and every once in a while the commission men raise the rate, and the hay goes up and all these things go up and increase the charges. These men do not know whether that is legitimate or not. The commission men and the packers come and tell us that they are dealing fairly and consistently. But our people feel they should have some other agency from which to get that information than the man who is buying their stock, who is an interested party; and I believe that the producers of this country would be absolutely satisfied if they had some kind of a governmental commission to get this information from independently. We do not want to accept it from the packers. A good many of them have got no confidence in the packers' statements whatever. I have read these packers' reports so long and doubt them so much that if I were to read the Lord's Prayer in them I would not believe it—it might be true, but I just would not believe it. I want that information to come from some other source.

Mr. HULINGS. Is that estimate formed in your mind from your experience?

Mr. COLLINS. Yes, sir; from long years of experience, and I would like to have a little information from another source to know whether it is right or wrong.

Mr. ANDERSON. You would like to find out through a nonpartisan commission as to whether the charges on the stock exchanges are legitimate?

Mr. COLLINS. Yes. We do not know whether they are, and we have no way of finding out, and God knows we ought to have some commission where we could go to find it out, and when you get in that

condition what other agency are you going to, except your Government?

This has not been new to my mind. I have a case that I took up 15 years ago with Armour and with Secretary Wilson, but it is a long time to go into it here. However, I have no grievance against the packers doing what they are doing. It may be legitimate. I was opposed to the saloons a good many years, but I do not criticise them because they were doing business legally; and I suppose these packers are. But I do have objections to some of the methods they use to get their matters before the country. Ever since this agitation commenced down in El Paso, in 1916, we have been contending more or less with something of this kind.

The gentleman stated awhile ago that he supposed somebody would pay his expenses to testify. I am paying my own expenses, and I do not expect anybody to refund the money. If they did, I would be surprised. I have never received a dollar of expense in the last five years, except for one trip. I made one trip to Chicago the 15th of last May to attend the producers' meeting, and the American National Live Stock Association paid my expenses; and I made another trip at my own expense later, and I have never received a dollar for it, and I do not expect to. But when this agitation started down in El Paso the whole country was in favor of it. In 1916 at the El Paso convention they created the market committee, and then went on record asking for the investigation. Following that was the convention at Wichita, Kans., of the Kansas Stock Growers' Association, and by the time it got through the Borland resolutions had been introduced in Congress, had they not, Mr. Tincher?

Mr. TINCHER. Yes.

Mr. COLLINS. The Borland resolution had been introduced for an investigation, and that was coming right out of the winter of 1915, and the cattlemen in Kansas had got a terrible grilling that winter. So, when they got to the convention of 1915, the packers were all down there and there was a tremendous feeling against them at that meeting, and it was very hard work. Mr. "Iron Jaw" Brown had received a telegram from Mr. Borland telling him that he had introduced a resolution in Congress, and asked the indorsement of the Kansas convention, and it was with a great deal of difficulty that Brown read the telegram, and wanted it indorsed; and it required quite an effort there to keep that going through immediately. We wanted to put through the resolution, and finally succeeded in doing it.

And then it was followed up by practically all of the conventions of 1916 indorsing the Borland resolution and asking for legislation, and things went along very smoothly until we got into those hearings in Congress, and the matter was delayed then more than a year trying to get that through the Judiciary Committee of the House, whose hearings were held right in this room, I believe.

Mr. ANDERSON. That was before the Judiciary Committee?

Mr. COLLINS. Yes; before the Judiciary Committee of the House of Representatives, I think it was. And that trailed along for over a year, and finally that committee came out in an adverse report against any legislation.

So, we felt all through that investigation that the packers were blocking it. We might have been wrong about that, but when they got into the packers' files and Mr. Heney got some of the letters there was considerable correspondence that seemed to justify that belief.

So, the thing dragged along, and then in the February, 1919, convention of Kansas, at Hutchinson, Kans., they had invited Mr. Thomas Wilson down there to address the convention, and I came down from Colorado to attend it, as I am very well acquainted in Kansas. As soon as I got down there, it seemed that the whole attitude against the packers had entirely changed. It became very evident at that convention that there was going to be no resolution nor anything done that would hurt the packers in the least. Mr. Wilson was there to make a speech, and he made a talk over at the convention; and then, after the convention he held an informal reception in the hotel, and a lot of us attended. And the proposition was put up there that the packers and producers ought to get together—that was Mr. Wilson's suggestion.

Back in 1915—I am a little ahead of my story—before this investigation was asked, every association in this western country set forth what they believed was wrong and what they thought the packers were doing, and what ought to be done. If you will take the resolutions and the records of conventions of those days and then look at the Federal Trade Commission report after it was out you will see it confirmed practically every allegation that had ever been made by the stockmen against the packers, everything that we had said that they would find, they did find.

So, at the Hutchinson convention Thomas Wilson smoothed the things over and told the cattlemen we were going to get nowhere with this agitation, and that the thing to do was to get together; and he certainly did make it work there. Those fellows all shut up like a mouse; you could not get anybody against packer legislation. So John Edwards, of Eureka, Kan., and myself appeared before the resolution committee and tried to get them to indorse the Federal Trade Commission and to come out for legislation, but there was only one man on that resolution committee, "Iron Jaw" Brown, who was with us. Brown was christened "Iron Jaw" a good many years ago in the Populist legislature in Kansas, he having talked the whole Kansas Legislature to death. So he was the only man on the resolution committee who was in favor of indorsing the Federal Trade Commission.

Mr. ANDERSON. But he could not talk the resolution committee into doing anything in the way of favoring legislation against the packers or indorsing the Federal Trade Commission?

Mr. COLLINS. He could not accomplish anything along that line.

The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.10 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met, pursuant to the recess, at 2 o'clock p. m., Hon. Gilbert N. Haugen, chairman, presiding.

The CHAIRMAN. Mr. Collins, you may proceed.

STATEMENT OF MR. C. E. COLLINS, OF KIT CARSON, COLO.—Resumed.

Mr. TINCHER. Mr. Collins, when we recessed you were telling about your experience at the Hutchinson meeting in February, 1919.

Mr. COLLINS. We had the meeting at Hutchinson in 1919 and I stated that at that meeting Thomas Wilson was there and held a reception in his room with all the cattlemen, and he was asked a great many questions and answered a great many, and was very liberal about telling everything, and he suggested that we ought to have a producer and packer committee to work together, to ferret out these things; and, as I stated, we tried to get the convention to indorse the Federal Trade Commission report and to indorse the Kendrick bill, which was then pending in the committee of the Senate, but they would not indorse either. They all signified that they were very friendly to Senator Kendrick and appreciated all the things he had done for the cattlemen, and agreed that they would send a telegram to him at Washington indorsing his course in the Senate and praising him, but at the same time they would not indorse his bill. So I told them that it reminded me a great deal of the fellow who had his house burned down and there were a lot of people gathered around sympathizing with him and suggesting what they would do. Some of them proposed to take up a collection, and finally a Jew came along and said, "I tell you what let's do; let's give him three cheers." That is about what they gave Senator Kendrick. They would not indorse his bill, but they would send him a telegram that they thought he was a mighty good fellow and appreciated what he had done, but could not indorse his bill.

Soon after the convention adjourned, I suppose in the course of a couple of weeks, there was a meeting called in Chicago, and there were quite a few of the Kansas cattlemen who attended that meeting, and I believe Mr. Sykes was there and some of the Iowa fellows. I did not attend that meeting, but anyhow at that meeting they agreed to organize a joint committee of packers and producers.

Mr. SYKES. No, sir; let me correct you there. They did not agree to organize a joint committee.

Mr. COLLINS. I thought that was what they agreed to.

Mr. SYKES. No, sir; the Iowa people never agreed to it.

Mr. COLLINS. Not the Iowa people, but I thought the meeting——

Mr. TINCHER (interposing). Mr. Collins, Mr. Sykes went into what did happen there quite fully, and he was present.

Mr. COLLINS. Anyhow, that was the report, that they would have a joint committee of producers and packers. I know that Mr. Joe Mercer came on practically direct from Chicago to the Texas Cattle Growers' meeting at Dallas and tried to get the executive committee there to indorse that plank, and it was turned down.

Anyhow, at the Chicago meeting, they agreed to hold a meeting in Kansas City to discuss this matter as to whether it would be a joint committee with the packers or not. So they sent out a call for a meeting, just like you would send out a call for a political convention, and stated who would be entitled to representation and on what basis. There were quite a number of us gathered at Kansas City; in fact, a large crowd clear from Arizona and Montana and all over the

country. When we got down to Kansas City, myself from Colorado, and John Clew, the representative, Mr. O'Donel, from New Mexico, and the Iowa people, and a lot of us got together and saw how many we had on our side, and we decided that we did not want any joint committee; that we wanted a straight producers' committee and the packers could create a committee if they wanted to, to meet with us. So we fought that thing out all day at the Muhlback Hotel and way into the night, and we finally succeeded in winning, and decided that we would have a straight producers' committee of 15, and in the agreement it was designated who should be represented on that committee, what associations should appoint the people, and so forth and so on, and they were to meet in Chicago on May 15. So Mr. Tomlinson, the secretary of the American National Live Stock Association, appointed Mr. Burke, of Omaha, and myself to represent the American National.

When we got down to Chicago on the 15th of May to organize the thing—of course, during this time there was a great deal of question about who was going to be on this committee of the producers. We were satisfied that the packer end of the game would immediately go to work to try to get control of that committee. We were satisfied that that would be the thing they would try to do. So when we got to Chicago to organize the committee, we found that that was the way we stood; that part of our producers were for the packer interests, and the other part on the side of the producers. There were 14 out of the 15 who attended that meeting, and we met in the Morrison Hotel, and Mr. Harry Wallace was selected as temporary chairman; but about a week or ten days previous to this meeting in Chicago, I met in Kansas City with Mr. Joe Mercer. I had come back there to meet with him to set the time for this meeting and to make the call, and at that time it was kind of understood that ex-Gov. Stuart, of Virginia, would be the candidate for chairman of that committee.

So when we got to Chicago and it came time to elect the permanent chairman of that committee, a little bunch of us together decided we wanted Harry Wallace for the chairman of that committee, and so then they did not put up Mr. Stuart. They put up Joe Mercer. They thought Joe Mercer could get more votes, and it put me in a very awkward position because Mr. Mercer and I have been very intimately associated and have been personal friends for 25 years, and I never voted against anybody that I hated to vote against as much as I did Mr. Mercer, but we succeeded in electing Harry Wallace as chairman of the producers committee.

Mr. SYKES. Mr. Collins, right there, perhaps you had better tell the committee who this man you call, "Harry" Wallace is.

Mr. COLLINS. He is the editor of the Wallace Farmer, at Des Moines, Iowa. I presumed everybody knew Harry Wallace.

Mr. SYKES. We call him Harry but his right name is Henry.

Mr. COLLINS. Is it?

Mr. SYKES. Yes.

Mr. COLLINS. We talked the matter over and the thing was discussed in that committee meeting as to what could be done by agreement with the packers in a joint meeting, and everybody was kind up in the air just to see what could be accomplished by a mutual

agreement with the packers and the producers. So that in the afternoon the packers were invited to meet with us. We met in the afternoon and we had a kind of cross-fire meeting all afternoon, and everybody talked, and Mr. Swift got up and said that one thing that the committee would not dare do, and that was that we could not agree and must not even hint that we were going to try to raise the price of cattle or meat: that we would be in violation of the Sherman law if we tried to enter into agreements to affect the prices of anything, and that we would have to dismiss that from our minds entirely. Nobody had any thought of doing that and there was nothing accomplished at that meeting at all, but the day before the meeting, on the 14th of May, when the producers commenced to gather there, when we got to Chicago on the evening of the 14th, the Chicago Journal had an article in it which said:

Beef prices to go down. Cattle growers say peak has been reached and predict decline. Highest pork yet to come.

Now, I will just read a part of this article to you. It says:

Beef prices have reached their peak and must decline. The top price of pork is still to come, however, because America has all the hogs and the whole world wants them.

These opinions were expressed to-day by advance arrivals to attend a meeting of live-stock producers representing the entire country, which will organize to cooperate with the packers in a program of voluntary regulation of the meat industry. "Everyone recognizes that prices must decline," said B. C. Biggerstaff, of Kansas City, one of the first arrivals. "We are not combining to keep prices up. We are uniting to stimulate production. It is our duty to feed America and to help feed the world, and we want to do that most efficiently without profiteering by eliminating wasteful practices and preventing such losses as would reduce production."

Now, that says "the producer." Mr. Biggerstaff is a representative of the Drover's Telegram, at Kansas City. He does not produce anything except a lot of bunk. That is all he has ever produced, but this interview gives the impression that Mr. Biggerstaff is a producer, and that went out to the public. The cattlemen, when they got there——

Mr. ANDERSON. Mr. Collins, you are not asserting that he does not produce a good line of bunk?

Mr. COLLINS. It is of excellent quality. When the cattlemen got there that evening we all jumped onto Mr. Biggerstaff and stated that that was not the opinion of the producers by any means; that the article was very misleading: that he represented it so that it would indicate this as coming from the producers. He said, of course, that he had been misquoted and that he had not meant it that way at all; but the next day when we got into the meeting—at that time, on the 15th of May, cattle prices were down $1 to $1.50 a hundred, but there had been a great many breaks in the cattle market of $1 to $2 a hundred, and we thought that was just one of those bad breaks, and that in a day or two the price would be back up again, so we were not alarmed a particle at that time. I do not think there was a producer there who was really alarmed about the situation; but the next day, in that convention, the packer representattives, every one of them to a man, got up there in that convention, or at this meeting, and told us that cattle were going down; that we could make up our minds that cattle prices were going down; so we just kind of coupled this interview together, knowing Mr. Biggerstaff as well as

we did, and thought that this interview was published in these big letters for the purpose of keeping it from giving us such a shock that next day when the packers really told us that the prices really were going down. It was to sort of prevent us from the shock; and I want to say that from that time on the price of cattle has gone down and has never gone back since that time.

Mr. VOIGT. What cause did the packers assign at that time that would make cattle go down?

Mr. COLLINS. Well, there was the argument that the war was over and that prices would naturally decline, and we felt that way ourselves, but the cattlemen throughout the country had their pastures all loaded up with high-priced cattle; and while I think in their hearts every one of them, perhaps, felt the market would decline, we were not out advertising it at all. We thought they would find it out soon enough, and we did not want to advertise it to the world; but this very article would kind of lead the consumers to believe that the cattlemen were satisfied that the price was going down, and that he expected it.

Mr. WELD. Mr. Collins, is it not true that prices had begun to go down earlier in the year, and that the packers explained at that meeting that the foreign demand for beef had practically ceased?

Mr. COLLINS. Yes, sir.

Mr. WELD. Is not that a good and sufficient reason for a decline in cattle prices when America had been supplying the Allies with tremendous quantities of beef?

Mr. COLLINS. I say that cattle had declined about $1.50 at that time.

Mr. WELD. They were facts that were given them and it was pretty good advice, don't you think?

Mr. COLLINS. Well, it was pretty good advice; yes. The only thing we had objection to was to leave the impression that the producers were responsible for this statement.

Mr. WELD. You do not mean to say that you are accusing the packers because the Chicago Journal had an interview with Mr. Biggerstaff explaining correctly the fall in cattle prices and meat prices?

Mr. COLLINS. My personal opinion of Mr. Biggerstaff is that he is a mouthpiece of the packers.

Mr. WELD. I do not know anything about that.

Mr. COLLINS. That is my personal opinion. I have been intimately acquainted with Mr. Biggerstaff and I have read hundreds of his articles in the Drover's Telegram, and they have done nothing but sing the praises of the packers.

Mr. WELD. But the Chicago Journal published an interview with Mr. Biggerstaff that correctly recited the facts.

Mr. COLLINS. Yes, sir; I think Mr. Biggerstaff deliberately put that interview in there. I think it was premeditated and I think it was intentional.

Mr. WELD. You do not question the facts?

Mr. COLLINS. The facts of what?

Mr. ANDERSON. You do question the facts of that interview when it says that the producers thought that the price was going down, or that the producers thought there was any reason for the price going down.

Mr. COLLINS. Of course, after the war everybody felt that we did not know where we were at, and the whole country was shot up, and we did not know about it, but we did know that the cattle interests were up in the air on a high plane, and we did not think it ought to come from the cattle side to advertise the fact that we were expecting the price to go down.

Mr. ANDERSON. What was the date of this meeting that you have reference to?

Mr. COLLINS. The 15th day of May.

Mr. ANDERSON. 1919?

Mr. COLLINS. Yes; 1919. I would like to say in that connection that at that meeting this Mr. Hunt, of Iowa, voted with us to organize that committee with Mr. Wallace as chairman. He voted for Mr. Wallace as chairman, and everybody knew when we were organizing that committee that it was a clean-cut fight on that committee to see who would control it, whether the producers' interests would control it or whether the packers' interests would control it.

So I just want to read into the record a little article I wrote in The Producer, published at Denver, Colo. It is in the November number of The Producer, and this is dated Kit Carson, Colo., October 29, 1919:

To the producer:

Many of your readers have no doubt seen the letters published in the Breeders' Gazette, written by John G. Imboden, of Illinois, and Charles W. Hunt, of Iowa, singing the praises of the packers and telling of their trip and the conclusions arrived at after attending the packers' convention at Atlantic City in September.

I am not surprised at the contents of these letters, as I presume these gentlemen attended the convention under the same conditions that the invitation, both by letter and wire, was extended to me, namely, that I make the trip at the expense of the packers.

I was satisfied that if I accepted the invitation as the packers' guest I should be expected to sign a letter something like the ones Messrs. Imboden and Hunt have written. I do not suppose the packers made any direct request that they be favored with an article extolling their morals, but they are smart enough to know that when they can get some one to accept their general hospitality they have a very good chance of receiving a letter of praise from that individual. Their guess was good—two accepted their invitation, and they received two good letters, both of which have found a favorable location in the Breeders' Gazette.

I am very proud of the fact that out of the many invitations extended to the producers only two were accepted.

Mr. ANDERSON. Mr. Collins, if will allow me to do a little testifying in your time, I would just like to call attention to what happened in the three weeks after this meeting you refer to.

Mr. COLLINS. At Chicago?

Mr. ANDERSON. Yes; on May 15. With reference to cattle prices, I just want to put the figures in the record at this point.

Mr. COLLINS. All right; go ahead.

Mr. ANDERSON. In the week of the 17th of May, the average price was $22 a hundred for beef, and the beef price went down to $18 in the following three weeks. The average price of cattle was $12.50, and that price dropped to $11.50, and in the same period the price of the by-products increased from $4.50 to $5.

Mr. RAINEY. Right there, Mr. Anderson, will you permit Mr. Weld to put in the record, so it may follow that statement, his answer why that decrease occurred?

Mr. ANDERSON. Mr. Weld will have an opportunity to testify about that when he goes on the stand.

Mr. RAINEY. I want to say, so it will follow that statement, Mr. Collins just testified the producers knew on account of the armistice the prices would decline, but the producers did not want the public to know it.

Mr. COLLINS. I would say that we did not know that to be the fact. We did not know what would happen, but we do know that practically everything else in the country has gone up while cattle went down. We know that has been the result.

Mr. RAINEY. Why did you not want the people to know the price of cattle was going to come down?

Mr. COLLINS. How is that?

Mr. RAINEY. Why did you desire the public not to know prices of cattle were coming down?

Mr. COLLINS. We did not think from our standpoint it was a good idea for the producers to advertise that, because if the general public knew that the man producing a thing felt satisfied that his product was going down, and did not care, it would be an easier matter to depress it. I think the commission men on the yards were responsible for a good deal of this decline. I think the commission men were in a kind of mood so that they were feeling that cattle were going down, and I do not think they tried as hard as they could, perhaps, to hold the thing up. I may be mistaken about that.

Mr. WELD. Mr. Chairman, in that connection I should like to state that I shall put figures in later to show that while the price of cattle was falling down in the spring, the price of dressed beef fell even more rapidly than the price of cattle; that there were good and sufficient economic reasons for this situation; that although the price of hides was advancing at that time, that there was a very good reason for that; and that during that time, also, Swift & Co. was losing money on its total cattle operations, including the returns from hides.

Mr. TINCHER. Mr. Collins, you had just finished reading an article in the record which you had written.

Mr. COLLINS. Yes; I read that article, and I have here a letter from the Institute of American Meat Packers, 1000 Majestic Building, 22 West Monroe Street, Chicago, August 22, 1919:

> Will you please consider this letter an invitation for you to attend our forthcoming convention at Atlantic City, September 15, 16, and 17, as a guest of this organization?
>
> As you may have heard the American Meat Packers' Association recently changed its name to the Institute of American Meat Packers, at the same time transferring its headquarters from New York to Chicago. The convention to which you are invited is the annual meeting of the organization, and will be one of more than passing importance.
>
> We will appreciate an immediate reply to this letter of invitation. Also, please bear in mind that if your plans permit, we want you to make the trip from Chicago to Atlantic City on our special train, which will leave Chicago Saturday, September 13, at about 1 p. m.
>
> Hoping to hear from you, I am,
>
> Yours, very truly,
>
> R. G. GOULD, *Secretary.*

I was a little bit uncertain as to whether they meant to ask me down there. So I answered that I would like very much—I have not

a copy of my reply, because at the ranch I do not keep copies of my letters—I wrote him and said that I would like very much to attend that meeting down there, but as the price of cattle was not very satisfactory this summer I had not saved very much to make the trip. I wanted to be sure that he wanted to pay my way down there. On September 4 I got the following telegram:

CHICAGO, ILL., *September 4, 1919.*

C. E. COLLINS,
Kit Carson, Calif.:

Please refer to our letter of August 22 inviting you to attend convention Atlantic City, September 15, 16, and 17, as our guest. Special train leaves Chicago Saturday noon. Wire collect whether we may expect you.

INSTITUTE OF AMERICAN MEAT PACKERS.

As I said in that article, I do not know that the packers thought that they would be able to get people to see matters their way. I think that was done because I was a member of the producers' committee. Very few people outside of the committee got that kind of an invitation, I understand, but the people that belonged to the committee. I understand, that invitation was sent to. Just a short time after that letter was passed I was in my office one day in Denver and the telephone rang and somebody asked if Mr. Collins was there. I said, "Yes; this is Mr. Collins." Then he said, "Is this C. E. Collins, of Kit Carson, Colo.?" I said, "Yes." He said, "Could I have a little talk with you this afternoon?" I first asked him who he was. He said that his name, as I remember it, was Henshaw. I have never been right sure about that name, as I only heard it once, but as I remember it, it was Henshaw. I asked him where he was and he told me that he was down at the Brown Palace Hotel. I said, "What do you want?" He said, "I have got a matter that we can not very well go over on the telephone." This was about 2 o'clock in the afternoon. I said, "I have made all arrangements to leave this evening on the train for the ranch at 7.45. I have also accepted an invitation from a friend to dinner at 6 o'clock." I said, "I can cut this a little short and I can be at the hotel by 6.45." He said, "That would not give us very much time." I said, "That is all the time I can have; I am going on the train." He said, "All right." I came down town from the dinner and got to the hotel just a little late, about 7 o'clock. I had him paged. A heavy-set gentleman stepped up to me and said—he was a gentleman who looked like he had been out in the sun—I said, "What do you want to see me about? We have to talk fast." He said that he was there representing the packers and lived in Chicago; and he said, "I want to have a little talk with you about this packer proposition." I said, "We have not any time to go into this packer question; it is too big a question."

He said, "The packers feel some of you gentlemen have got the wrong idea about this packer question. I feel that if I could have a little while with you that I could perhaps convince you that you were wrong; if you had time to go over that matter with me." I said, "I will tell you. I have not got time to go into this packer question at all. I have given it a great deal of thought. I do not believe that there is a packer in America that could convince me of anything in regard to it. I realize that some of our fellows that started into this matter and who were enthusiastic about it, as I

say, have changed their minds. I have been very suspicious that they had a reason to change their minds. Nothing in your head would have a damned bit of effect on me." He said, "If you will give me an opportunity to convince you, I might do it. If you want to, I will go down to the ranch with you." I said, "No, you need not. I have worked for the last 30 years to get into a position that when a man wanted to put a proposition to me that did not suit me I could tell him to go to hell with impunity, and that is what I do with you." I do not know whether the man had any proposition in his mind, but I know that he came out to see me from Chicago.

Mr. RAINEY. Do you think it was wrong and the packers violated any ethics when they invited you as their guest, if they did, to Atlantic City?

Mr. COLLINS. No; I do not really believe there was any legal wrong about it.

Mr. RAINEY. Do you not think they should enjoy the same privileges the farmers do when they came to Washington and invite Members of Congress and Senators to a dinner, banquet, or get-together meeting.

Mr. COLLINS. I think that is true. I do not think there is a thing wrong about it, but I do say that that kind of stuff has an influence on some people.

Mr. TINCHER. Who ultimately paid for the special train that the packers ran from Chicago to Atlantic City and on which they took people at their expense, you would have to pay?

Mr. COLLINS. Yes, sir. I do know that in Chicago, in May, Mr. Hunt met with us and organized the committee against the packers. I do know that he attended the meeting as the guest of the packers down at Atlantic City, and I do know that when he came back he wrote an article in the Breeders' Gazette in the interest of the packers. I know that to be a fact. I do not know whether that changed his mind or not, but I know all of those things happened.

Mr. RAINEY. Is there any objection to a man, after giving some study to a question, in changing his mind?

Mr. COLLINS. I give everybody the benefit of reform. I have reformed in a good many things myself. Mr. Hunt may have honestly changed his mind. I am not saying he did not. I am giving him the benefit of the doubt.

Mr. RAINEY. You do not want to deny the packers the same privileges you enjoy?

Mr. COLLINS. No; but I deny the packerized producer the right to change his mind. I would think a great deal more of him if he changed his mind before he accepted——

Mr. TINCHER (interposing). Who is Mr. Hunt?

Mr. COLLINS. Mr. Hunt is some man who lives in Iowa, some big farmer or grower. I think he was the president of the Hog Growers' Association at one time. That is my understanding. I am not sure. No; I do not know. He is a farmer in Iowa. No; I do not know what he is. I have heard all along that the packers had not done anything to try to influence the cattlemen, but when I look down the list and see the fellows that started in this movement since 1916—that is, before the packers got alarmed that there was anything

going on—when we had that meeting in Chicago in 1915, October or November, we had quite a bunch attending that meeting. That was called by Bryan. They did not participate in that meeting at all. Going through the winter of 1915 the cattle business was just slaughtered, and by the spring of 1916 the whole cattle industry of this country was up in arms. I think the meeting at El Paso was the first one that was held—I did not attend that meeting, but I did attend the Kansas convention. From that time the packers have been very much interested and have attended all the meetings. Prior to that time the packers never paid any attention to the producers of this country, to speak of, at all. The Kansas convention was in favor of this movement. As I say, in 1918 Tom Wilson came down there and he hypnotized them, or did something; he spread the "bull" over them so that it stuck, and all during that summer the Kansas Association was very lukewarm to any of this legislation: in fact, a good many of them came down here and protested. Just recently, in January, the legislature set aside all their friendship for the packers, and they have already enacted a law controlling the packers down there.

Mr. RAINEY. They are all right; you do not criticize them for changing their opinion?

Mr. COLLINS. I do not criticize them for changing their opinion. I told them that they were a bunch of lump heads.

Mr. RAINEY. It depends on what side they favor.

Mr. COLLINS. No, sir.

Mr. TINCHER. I might say to the gentleman that the Kansas Cattlemen's Association that adopted these resolutions also elected a new set of officers?

Mr. COLLINS. Yes, sir.

Mr. TINCHER. At the same time that they adopted the new resolutions?

Mr. COLLINS. Yes, sir.

I criticized them last fall. I told them that Tom Wilson was just making a monkey of them, the way he was spreading the "bull" on those fellows. I know that those Kansas fellows had high-priced cattle.

Mr. RAINEY. They are all operating now?

Mr. COLLINS. Yes, sir; they are back where they belong. The packers were there and told them that they were going to take care of them last summer; they were there with their whole entire force. They bought them on the basis of the 1918 price. They could not buy any cheaper. They had to buy them at the market price. Spring came on and it appeared that something would happen, and I am satisfied that Tom Wilson went out there just to hush them up with this agitation and said, "Let it all go; we will take care of you this summer the best we can." The fact of the matter is that those boys lost all the way from $10 to $100 a head on the cattle. I know a man personally who lost $300,000, and I have personal knowledge of others that lost anywhere from $10 to $75. They broke the whole damned community down there. I do not say that the packers did that, but I mean that they took——

Mr. RAINEY. Is Congressman Tincher in that organization?

Mr. COLLINS. Yes, sir; he is one of the star members.

Mr. RAINEY. Did he change his mind?

Mr. COLLINS. No.

Mr. RAINEY. He has always been against it?

Mr. COLLINS. Yes; he has always been against it; and he was right. Mr. Joe Mercer and I have been friends for many years. We had many arguments about this packer legislation. It got so far along with the correspondence and in order to save his friendship I had to go down to Kansas and we sat up until 2 o'clock in the morning discussing it. It was only a short time until they convened the Kansas Legislature and passed, I believe, the industrial labor bill.

Mr. Mercer had been having a little trouble with the stockyards with regard to hog serum. Joe had been at Kansas City with the stockyards and had become connected with a serum company to vaccinate the hogs. The stockyards company decided that the stockyards serum company should enjoy that privilege solely. So Mr. Mercer told them that if they did not permit that company to participate in the vaccination of the hogs in the stockyards he would enjoin them from getting a hog out of the State of Kansas. The State line runs right through the stockyards at Kansas City. A few years ago the stockyards company built a magnificent concrete hog house over on the Kansas side, and they put up a fine dipping establishment and everything at great expense. Joe told them that they had to let them participate in the vaccination of the hogs. One Saturday night the stockyards company went to work and tore down this dipping plant or works and moved it over into Missouri just across the State line and got it out of Joe's jurisdiction. So that made Joe madder than ever. He got hold of Bill Weeks and said, "If you do not move that plant back and put it in Kansas or where it was and let this thing go on as it was before, I will put a quarantine on the hogs, and you can not take a hog out." Bill thought that he was bluffing. That went on a while and Mr. Mercer issued the regulation. It went into effect one day and the next day, I think it was, some of the commissioners got out an injunction before the judge of the United States court to restrain Mr. Mercer from putting this order into operation. Just about this time the legislature had convened, and Mr. Mercer already had his bill written up, I think, and he had Mr. Burdick introduce it—that is, the stockyards and commission bill—into the house. Their experience here in Washington trying to get this investigation for years made them work faster and they shoved the bill through the house before it was generally known what it was. They succeeded in getting it through the house the first day or the second day, did they not?

Mr. TINCHER. I do not know; I was not there.

Mr. COLLINS. It went over to the Senate, but they did not move so rapidly there. There had been none of the packers there, but they now came from all points over the country—the packers and the commission men. I live away out in Colorado. I got a message from him to come down and help him get it through the legislature. Unfortunately I was not at home. I would not have missed that fight for anything if I could have gotten there. I might say that they tied it up for four or five days and then finally passed the law—the Kansas law regulating the packing houses, the stockyards, and the speculators. They finally took the commission men

out of it, because the commission men have many friends in Kansas. There are a lot of good commission men there.

Mr. RAINEY. Are they opposed to the use of serum down in Kansas?

Mr. COLLINS. No; they are in favor of it. I am in the serum business myself. They are opposed to one man running the whole thing. But, now, I say really that I was opposed to the Kansas legislation; that is, not opposed to the legislation, but I think this legislation should be national instead of local, and I think they will have a lot of trouble over enforcing it across the line.

Mr. TINCHER. For fear some one later on will refer to the Mercer testimony given before the Senate committee last fall, I want to ask you if it is not a fact that Burdick, who introduced the packer bill which finally became a law, is Mr. Mercer's deputy?

Mr. COLLINS. Yes, sir.

Mr. TINCHER. And in Kansas the Burdick bill is known as the Mercer idea?

Mr. COLLINS. The Mercer bill.

Mr. SYKES. What does Mr. Mercer do in Kansas?

Mr. COLLINS. He is the sanitary commissioner in the State of Kansas and is the secretary of the Kansas Stock Growers' Association. While he and I have differed many times very severely, he has held a deaf ear to all temptations, and there is not a dirty spot on him.

Mr. VEEDER. Why was Mr. Mercer so anxious to rush that legislation?

Mr. COLLINS. Because he was well aware, from his past experience, of the pressure that the packers would bring to bear upon the legislation; he knew it, and he knew what to do.

Mr. VEEDER. Were there any hearings on the bill?

Mr. COLLINS. There were.

Mr. VEEDER. In the House?

Mr. COLLINS. There was a senate hearing. Then to be sure about it they called the executive committee of the Kansas Stock Growers' Association in Topeka and had a very large attendance, and they practically voted unanimously in favor of the legislation. I think that Mr. Todd was the only man who did not vote for it. No; there was somebody else, but Mr. Todd and one or two others were the only exceptions.

Mr. VEEDER. Was that in the senate hearing?

Mr. COLLINS. Yes; in the senate hearing.

Mr. VEEDER. Was there any in the house?

Mr. COLLINS. They did not have any in the house at all.

Mr. VEEDER. Do you know how much time elapsed between the time the bill was introduced and referred to the committee?

Mr. COLLINS. I think about 24 hours.

Mr. VEEDER. And reported it back?

Mr. COLLINS. I think about 24 hours; something like that.

Mr. VEEDER. I think it was less.

Mr. COLLINS. Just as quickly as it could be printed and could be passed. It might not have been over 10 hours. The experience Joe has, he knows you have to work fast. Experience has taught him that. Delegations came to Kansas. The commission men, the stock yards, and the packers were all represented. That did not have

much good effect. Finally delegations from all over the State came; the chamber of commerce, the bankers, and representatives of all kinds, trying to stop the legislation.

Mr. VEEDER. It is true that Mr. Mercer desired to prevent the opponents of the bill having an opportunity to debate it?

Mr. COLLINS. I do not think he thought it was necessary. I think he was so positive that they needed just that legislation, and he knew what the people wanted. I might be wrong about that.

Mr. RAINEY. In other words, in Kansas they do not try the packers; they just decide they are guilty.

Mr. COLLINS. I think they have been very lenient down there.

Mr. RAINEY. You mean lenient in the passage of this bill?

Mr. COLLINS. I do not know whether you would call that lenient or not.

Mr. RAINEY. Do you not think the packers should have been given an opportunity to present their case?

Mr. COLLINS. The legislature was called in extra session. I think they only had a short time to do it. They did not have time to give them hearings on the bill.

Mr. RAINEY. Would you favor the enactment of legislation inimical to the producers without giving the producers an opportunity to be heard?

Mr. COLLINS. They favored that kind of legislation.

Mr. RAINEY. You think that is America's idea of fair play?

Mr. COLLINS. Why?

Mr. RAINEY. To enact legislation without hearing both sides?

Mr. COLLINS. This packer question has been heard for four years. Everybody in Kansas is thoroughly familiar with it. They did not require any hearing.

Mr. RAINEY. Who decided that?

Mr. COLLINS. They have a membership there of about 10,000 cattlemen in their association, and I noticed in one of the papers awhile back, and they took a vote of their members, and I think it showed there was at that time about 70 per cent in favor of the legislation. I am satisfied that the other 30 per cent came over in the next 60 days.

Mr. RAINEY. Would you like to have this legislation enacted in the same way?

Mr. COLLINS. Not so rapidly; no. I am in favor of giving them time. We have had time. We have had four years on this now. This thing started four years ago; we are still having hearings, and we have not progressed very rapidly.

Mr. RAINEY. How many hearings have you had?

Mr. COLLINS. I do not know.

Mr. TINCHER. Mr. Collins, Mr. Mercer holds an office under the State government of Kansas?

Mr. COLLINS. Yes, sir.

Mr. TINCHER. What is that office?

Mr. COLLINS. Live-stock sanitary commissioner.

Mr. TINCHER. This bill provides for a commission?

Mr. COLLINS. Yes, sir.

Mr. TINCHER. Who are the members of the commission?

Mr. COLLINS. The members of the commission are Mr. Mercer—that is, the law provides that the secretary, that is, the president,

or whatever you call him, the live-stock sanitary commissioner, whoever he is, shall be one of the members.

Mr. TINCHER. Who is the live-stock sanitary commissioner?

Mr. COLLINS. That is Joe Mercer; and he will probably remain the live-stock sanitary commissioner for quite a time.

Mr. TINCHER. This was Mr. Mercer's bill?

Mr. COLLINS. That is what they call it. The other two men are to be appointed by the governor, as I understand, but it has plenty of leeway in it; it does not hurt the packers. They have plenty of redress; they can appeal to the new utilities board. It is not anything that will hurt the packers at all.

Mr. RAINEY. Mr. Mercer evidently legislated himself into a job, then?

Mr. COLLINS. Well, I do not know that I would put it that way. They fixed that in the Senate.

Mr. RAINEY. You do not favor that commission in Kansas?

Mr. COLLINS. I favor it as making some headway; but I think that it should have been by national legislation. If we could have the bill introduced and passed here in the same way we would have legislation.

Mr. RAINEY. You are in favor of expedition particularly?

Mr. COLLINS. Yes, sir.

Mr. TINCHER. The gentleman from Chicago asked you something about expedition. I guess Kansas has contributed probably as much as any State in the Union to the payment of the special train run from Chicago to Atlantic City by the packers?

Mr. COLLINS. I think they have bought them all.

Mr. RAINEY. And the farmers have been contributing something to these get-together meetings and banquets down here?

Mr. COLLINS. Yes, sir; also the Kansas association is made up principally of small breeders; there are only a few of the big breeders. They have a very efficient organization.

Mr. TINCHER. Joe Mercer was a member of the senate for 18 years and he could be yet. He has been persuaded to hold this position of State sanitary commissioner for several years over his protest. As I understand the bill was introduced in the house and did not provide for the State sanitary commissioner?

Mr. COLLINS. That was put in afterwards in the senate.

Mr. RAINEY. Joe put it through the house in a hurry?

Mr. COLLINS. Yes, sir. He did not introduce the bill, but Joe Mercer was right there, I might say, behind the thing. He is reperesenting the Kansas Live Stock Association and they are paying him a good, round salary, and naturally they look to him and expect him to guide them in the right direction.

Mr. TINCHER. John Brown started in Kansas. Gov. St. John started in Kansas, and Joe Mercer lives in Kansas, and, I think, that the Kansas law will eventually be a model for the country to use in regulating the packers.

Mr. COLLINS. I thought of that the other night. Kansas started the ball rolling for prohibition more than 40 years ago.

Mr. RAINEY. They do not deserve credit for that.

Mr. COLLINS. Yes; they do.

Mr. RAINEY. The people of the country will soon turn that ball rolling the other way. The same attitude assumed toward prohibition is being assumed toward this legislation and the packers.

Mr. COLLINS. John Brown started the ball for the slaves, Gov. St. John started the ball for prohibition, and Joe Mercer has started it now for packer legislation.

Mr. RAINEY. A great number of people out in Kansas voted for prohibition who did not believe in or practice it.

Mr. COLLINS. The sentiment is very strong, and I do not believe that you will ever repeal it; that is the way it looks to me.

Mr. SYKES. I should like to ask Mr. Collins whether Joe Mercer was in favor of the Borland resolution?

Mr. COLLINS. Yes; absolutely. The people of Kansas were very enthusiastically in favor of the Borland resolution.

Out in Kansas City we have a company which is composed of the leading independent stock producers—fellows who buy stock in it. During the war they participated in all of these war contracts. I want to give you one instance where I think the producer got skinned during the war—the last contract which was made for canned beef. I have heard of this often, and if I am wrong I wish to be corrected. One of the directors of the company told me he attended a meeting at New York or Washington—I do not know which—anyhow, where they let the last contract for canned beef—in the War Department I think it was. It was a big contract, and the people all came down. This gentleman told me that the smaller packers did not take much part in the argument about the price to be paid for this canned beef; that they were satisfied that the big packers would put the price sufficiently high that it would be all right: that there was no need for any argument about the price. That was a contract for canned goods.

At that time canner cows were selling around 6 or 6½ or 7 cents; and he said the argument was that whenever they went into the market to fill this enormous contract for canner cows that canner cows would go up. So the contract was let, as I understand now—and, as I say, I want somebody to find out—and the price was made on a basis so that they could pay 8 cents a pound for canner cows. That is what he told me was the basis that the contract was let on. Now, then, when that contract was let, which was in the fall of the year, when the canning business is on, the price of canner cows went down right along; and I want to say to you that that whole, entire contract was filled that fall, and canner cows never did get over 5½ cents a pound. They went down to 5 cents and 5¼ cents, and for a period of a couple of weeks at a time at Kansas City 5.25 cents was the flat price on canner cows.

Now, this Mr. M. C. Campbell, who is president of the Ruddy Packing Co., told me himself—and he will repeat it to anybody—that under that contract the cows that they killed were very light weight, and did not cost over $36 or $37 a head; and he told me that they made $14 a head on every canner cow they bought. Now, if that is not a pretty good price—I do not want anything better. I do not blame them particularly for doing that, but the packers have always been saying that they were the friends of the producers; and everybody knows that in the fall of 1918 that that price on

canner cows was just taking the lifeblood out of every producer in the Southwest; that they had these cattle coming from this drought country, and they needed every dime they could get for those cattle, and they were losing plenty of money anyhow; but there was no disposition to try to pay a fair price for canner cows that fall. And I just wish that some of you gentlemen who have access to those war contracts would find out if that is so, and find out if that contract was really let on the basis of $8. I have been told that that is what it was.

Mr. O'DONEL. That is the case.

Mr. COLLINS. They told me that as a positive fact. He told me he was at the meeting. Now, if that contract was made on that basis, they just deliberately stole $2.50 a hundred from the producers on that, and they might just as well have gone out at night and have taken that much away from them.

Mr. WELD. Who do you say made that contract?

Mr. COLLINS. I do not know whether it was through the Food Administration or the War Department.

Mr. WELD. It was the Government that set the price?

Mr. COLLINS. The Government set the price.

Mr. O'DONEL. But on the basis of 8 cents?

Mr. COLLINS. It was on the basis of the price which they would have to pay for canner cows, which was $8. That is what they could go up to and get out on with a profit.

Mr. WELD. And the price went down below that?

Mr. COLLINS. It went down; yes.

Mr. WELD. Whose fault was that?

Mr. COLLINS. I think it was the packers' fault and the fellows who buy for them, absolutely.

Mr. WELD. Because we bought a lot of cows to fill those contracts?

Mr. COLLINS. Just because you bought them as cheap——

Mr. O'DONEL (interposing). Your canned meat sold on the basis of 8 cents, and you were buying the cows on the basis of 5 cents.

Mr. COLLINS. And you might just as well have gone out deliberately and stolen that difference.

Mr. WELD. You would have to show that there was collusion in forcing that price down——

Mr. COLLINS (interposing). I do not think you have to have any collusion; all you had to do was to stay out of the market one day and the price would go down.

Mr. WELD. Do you know how the Government fixed the prices on the stuff bought from the packers?

Mr. COLLINS. I don't know; but I will tell you that John Edwards, of Eureka, Kans., a director in the Ruddy Packing Co., gave me that information.

Mr. RAINEY. Tell us something about the contract they had with the Government.

Mr. COLLINS. I am just telling you that the contract was made on the basis that they could pay up to $8 a hundred for the canner cows. They got a price sufficient for the canned beef so that they could have paid $8 for the canner cow and made money, but they bought the canner cows—I do not think the prices would have averaged five and a half that year. I know I sold mine for five and a quarter.

and there were just acres and acres of them sold for five and a quarter that fall. We know there was. Now, I can not help from saying that they did make that difference, between the price they bought them at and $8, and Mr. M. C. Campbell, I am satisfied, would not hesitate to come down here and testify under oath that he made $14 a head off of those cows with an investment of $36 or $37 a head. He did not buy them up any higher than the rest of them, and everybody wants to make all the money they can, and there were lots of canner cows coming along in those days. On account of the drought in Texas they were sending practically nothing else, and all the packer has to do on canner cows, if they stay out of the market 24 hours, they lower the price to any price they want.

Mr. VEEDER. Would it not be illegal if they got together and stayed out 24 hours?

Mr. COLLINS. You don't have to get together. You just stay out voluntarily. I don't know whether you get together or not, but I know that whenever you want to stay out you stay out and the price goes down.

Mr. VEEDER. Is that the way they reduced the price on those canners; did they stay out of the market?

Mr. COLLINS. I do not know, Mr. Veeder, how they did it, but I do know that when there is a big lot of canner cows or anything else in the yards, if the packer dillydallies around about coming out for a day or two and the things pile up there, that with canner cows or any kind of cattle, the market is going down. That is a cinch. In some instances, where you folks have to buy these cattle cheap and go on the market and sell your products, then you want to buy them as cheap as you can, but I do say if this is a fact, and everybody seems to think it is a fact, that this contract was clearly let on the basis that they should pay 8 cents, and they didn't do it, I say you did not treat the producer right. I say you made an unjust profit.

Mr. WELD. Mr. Collins, if the Government made a bad contract with us from the standpoint of the Government and we found the prices went down lower than the Government anticipated, we should have gone to the Government and said, "Here, let us abrogate this contract; we are making too much money." I do not know the circumstances of this particular deal——

Mr. COLLINS (interposing). I do not say you should have done that. People in making a contract and in doing business, they do it just as close to contract as they can, but I am just saying that the packer has put out the cry to us for years that they are the friends of the producers, and that they were not taking any unfair advantage.

Mr. WELD. You know that other contracts with the Government at the same time were losing us money?

Mr. COLLINS. I do not know a thing about that. That is something I do not know anything about.

Mr. WELD. It might be well to take all those things into consideration.

Mr. COLLINS. Now, about the legislation proposition. I want to tell you how I stand on legislation. The Senate bill over there is not near as drastic as I would have it, but I am satisfied after working for threee or four yeas on it, that that is just as good as they could get, and I am willing to accept it; in fact, I am willing to accept anything that we can get in the way of legislation for a starter.

I am very much in favor of that commission proposition, and I think, as a gentleman suggested here yesterday—I do not know who he was—that that commission should be composed of a packer representative, a representative of the producer, and a representative of the public; and if it was possible to make specific legislation to cover all these points, I would be very much in favor of it. I am not particularly in favor of a bureaucratic form of government or a commission form of government, but I do think we have reached the point in the age of this Nation when we have got to resort to those things when we can not do it by specific legislation—that is, we can't cover everything, particularly, this packer business. It is so large you can not cover it by specific legislation.

Now, as to the refrigerator cars. I understand that is out of the bill, but it is covered in this railroad bill. I think that railroad bill does not cover it very completely; does it, Dr. Rainey? Do you consider that it really covers this refrigerator-car question?

Mr. RAINEY. As I understand it, if the Interstate Commerce Commission will use the discretion given them in the bill they should provide a sufficient number of refrigerator cars for all users.

Mr. COLLINS. Maybe it does, but it didn't look quite clear enough to me. But I have thought for some time about this refrigerator-car proposition; that if it could be handled by some outside agency, something along the plan that the Pullman cars are handled in this country, it would be better; that is, if somebody had control over these refrigerator cars, just like the Pullman cars, and furnish them to anybody and everybody who wanted them. I do not know whether that is possible or not, but I do think that there ought to be some agency to control the refrigerator cars of this country and they ought to be free to everybody.

Mr. VEEDER. Mr. Collins, would you have any objection to the railroads being required to furnish refrigerator cars to all who want them?

Mr. COLLINS. I would not have any objection. I have no objection to anything to get a starter to try this thing out. We can remedy it as we go along. I do not believe you are going to get any kind of legislation here that is going to be perfect to start with. You are going to have to amend it and change it.

Mr. VEEDER. Is not that the provision now in the new railroad law?

Mr. COLLINS. I presume so; I do not know. I am not particularly posted on that.

Mr. VEEDER. And is not the railroad the proper party to be required to furnish the cars and not a private individual or a company?

Mr. COLLINS. Yes.

Now, as to handling the stockyards. I have always thought it was a very bad idea that the packers should have gone into the stockyards business. I never thought they had any business in engaging in that line of business, and they should have stayed out. They were out, but now that they have got into the stockyards business, and under this injunction, as I understand, you have got to separate yourself from the stockyards. I think that is going to be a very hard thing to do. I do not see how they are going to separate themselves from these stockyards. I do not see where they are going to find a buyer. I do not believe the outside interests will buy them. I do

not believe the public will buy them, because any independent interest that would buy those stockyards, in a great measure, are at the mercy of the packer people as to whether they will continue perpetually to patronize those yards, and there would be a great fear on the part of the outside man about putting his money in there; and I do not see where it would make much difference, and I would have no objection at all, and I never was particularly radical about the stockyards companies or about having the packers sell the stockyards. I would be perfectly satisfied to let them have the yards, but I do want good Government supervision over those yards to see that everybody gets a square deal; but if they can be divorced from the stockyards, and it can be done right, it is perfectly all right; but I have great doubts in my mind that they can do it without camouflaging a whole lot about it. I think it will be attempted to get their friends and get other fellows to buy these stockyards, and I think really the public would be a whole lot better off by Government supervision or regulation over these yards, unless they know positively that the people who are buying the yards were completely outside, independent parties, and I do not know how they are going to arrive at that conclusion.

Mr. RAINEY. How about the producers buying them?

Mr. COLLINS. I do not think the producer has got money enough to buy them. God Almighty, the producer has never been able to get money enough even to take care of sending their men around the country. The producers tried to finance the Ruddy Packing Co., a million and a half dollar proposition, and they never did that successfully.

Mr. RAINEY. You heard four or five gentlemen testify here last night who were producers; they all admitted they were making money.

Mr. COLLINS. Now, I will finish up on this legislation proposition, first, about the stockyards. That is just a matter where, if they are going out of them by injunction, I suppose that will have to be tried out. There is no way to stop that now, is there, Mr. Veeder?

Mr. VEEDER. The decree has been entered by the court.

Mr. COLLINS. I say, it is not a condition, it is a matter of fact.

Mr. VEEDER. Yes, sir.

Mr. O'DONEL. Just a moment, Mr. Collins, if I may. We hear a good deal about this stockyards question being settled by the decree. As a matter of fact, that decree refers only to the parties in that court proceeding, the five groups of men. There are other stockyards and there are other packers, and some of the other packers are connected with some of the other stockyards, and this legislation is intended to deal with those also?

Mr. COLLINS. Yes.

Mr. O'DONEL. For instance, Frye is a packer and has stockyards, and that decree does not hurt him at all. We propose by this legislation to separate him from those stockyards as well, so that the decree does not cover this question entirely.

Mr. COLLINS. I would say that soon after this decree or this agreement was entered into, it was not but a very short time until a mighty good friend of mine—I do not care to mention his name—approached me to go with him and buy the stockyards at Wichita,

Kans. Now, the gentleman who talked to me about that and made that proposition, I am satisfied that if he bought those stockyards and his friends would not change the complexion of the stockyards one iota, it would be "packer" just the same. Now, that is what I am afraid will happen in this stockyards business; that we will be no better off; and by all means, no matter who buys them, if the producer buys them or anybody else buys them, there ought to be some supervision over those stockyards by the Government. I do not care who has them.

Mr. HUTCHINSON. I understand you are in favor of a commission composed of a packer, a producer, and a representative of the public.

Mr. COLLINS. Yes, sir.

Mr. HUTCHINSON. You would be in favor then of making rules and regulations to control the packers, the commission men, and also the producers?

Mr. COLLINS. Yes, sir.

Mr. HUTCHINSON. You would include the producer's end, too?

Mr. COLLINS. Yes, sure; put us in; my God, yes; but I think in this legislation that you ought to go just as far as you can with specific legislation. I do not want to delegate this whole thing to a commission, but I know that you can not cover this whole thing by specific legislation. It is too big a thing.

Now, what else is there about the law that we want to talk about? We have covered the refrigerator cars and the stockyards, and I guess they are about all the important things there are in that bill.

Mr. O'DONEL. How about the unrelated lines?

Mr. COLLINS. Well, I am not really posted about that end of the game, but I believe it would be a good idea for them to be out of the unrelated lines. I can see where it gives them an advantage over an independent packer that don't handle those lines, because it gives them an advantage in some seasons of the year when they can make money out of fruits and groceries, perhaps, and if they wanted to they could lower the price of meat and make it up on the other lines, and it would be unfair competition with the independent packer who was not handling those side lines. Now, that is possible. I do not say they do that, but such a thing could be done.

Mr. RAINEY. Do you think by the packers getting out of the unrelated lines it will help the producer?

Mr. COLLINS. I do not think it will; no. I do not know that it will. The only thing about that is that if the packer can get into the grocery business, and they are already in the cottonseed business, or can get into anything else they want, they might carry that to the point where the packer did everything. That is the danger of that kind of thing. If there is no limit, when a concern gets to where the American packer is, he can go out and do business with the ability of all the money behind him, and do anything he wants and there is not anything that you can imagine that the big packer can't do if he wants to, and that is the danger in that thing of allowing them to go into everything. They get into one thing after another, and where is the end of it going to be? After a while we will all be working for those fellows.

Mr. GRAFF. Would that be dangerous if we had a law upon the statute books that would oversee their work?

Mr. COLLINS. I think, as I said, that we want this commission or somebody to see whether or not we are getting a square deal.

Now, the main fault I find, and I think it is true throughout the country, and I think it is a fault the whole general public has, everybody feels we ought to have some agency other than the interested party himself, to give us the information as to what this business is doing. The packers go out and tell us they are making 1.6 per cent. They make that look like an awful small proposition, but if they turn that over as often as it is claimed they do, it is a good big per cent. I do not know how often they turn it over. I have heard they turn it over 52 times a year. I do not know whether they do or not, but if they only turn it over 10 or 15 times a year, it is a big percentage; and that is what we want to know. We want to get that information from somebody other than from them.

Now, I have a little bank out in Colorado and the bank examiner comes around there as often as he wants to, not less than four times a year, I think it is, and he just ransacks that institution from cellar to garret, and when he gets through we have to pay him $50 or $75 for telling us where we are at. Now, we were all opposed to that when he first came around, but that has all been to our benefit. We make more money than we did before. I am satisfied that is the way it is with the packers. The packers talk about this legislation putting them out of business. There is not a business in the country or in the whole world that is regulated as strictly and supervised as much as our banks, and God knows there is not a better stock in the world than bank stock. It is the best stock there is in the country to-day. Everybody likes to buy bank stock. It is the most substantial and helpful stock there is, and I really believe that with a legislative commission supervising the packers, there would be big improvement and they would be a 1,000 per cent better off than they are to-day. I believe the packers would be better off and people would have more confidence in them, and they would make more money, and people would buy their stock more readily.

I have a lot of good friends among the packers and they are all mighty good fellows, and darn if I don't just kind of feel, when I get around where Eddie Morris and those fellows are, that there is just a kind of feeling between us that I do not feel as friendly as I ought to. I think he is a nice fellow and he is all right, but, damn it, I just got a feeling in me that they have got something under their shirt that I don't know anything about. I have just got that feeling about it and I may be wrong.

Mr. HUTCHINSON. Why not go further than the packers and include the millers and the steel men?

Mr. COLLINS. God Almighty, as I told Senator Kendrick when he started this legislation, I would not confine this to the packer. I think that when any concern in this Nation—I do not care what the concern is—reaches the point where it controls 20 or 30 or 70 per cent of the business of the country, where their control has an influence on the business, there ought to be some regulation of that concern. I don't care whether it is a packer or not.

Mr. TINCHER. The miller bill has just been introduced and has not even been referred to the committee. If we start on that——

Mr. COLLINS (interposing). But I told Senator Kendrick about that, and he said, "Good Lord, if we introduce a bill here covering

all those interests, where we have now got only the packer interest to fight, we would have the Steel Corporation, we would have the lumber interests all over this country, and we would have the woolen industry," and he said, "We would have billions of dollars here to fight where we have got quarters now, and that we had better take them one at a time."

Mr. HUTCHINSON. How about cotton?

Mr. COLLINS. Well, there is the cotton industry, too.

Mr. HUTCHINSON. They picked on the easy mark first.

Mr. COLLINS. Yes; they are easy enough.

Mr. VEEDER. Mr. Collins, do I understand that it is your idea that this legislation should be for the purpose of establishing a committee or a commission to supervise the packing industry, but that it should not require the packers to give up the stockyards or the unrelated lines of business, but have supervision over them?

Mr. COLLINS. That is a matter, Mr. Veeder, that would have to be worked out. I could not go into that. As to the packers, I told you about the stockyards, and I really feel, I honestly do, because I haven't got a bit of faith in you, understand, that you will not carry this thing out honestly. You may do it, but I don't believe it.

Mr. VEEDER. That is an awful imputation, Mr. Collins.

Mr. COLLINS. I know it is, but it is the God's fact. I don't believe you will, and the gentleman who approached me to help buy the Wichita stockyards would not help the situation one iota.

Mr. VEEDER. I asked for information, because I understood that you wanted the stockyards to remain in the control of the packers subject to supervision.

Mr. COLLINS. I say whoever gets them, whether it is the packer, the producer, or independent, I don't care who it is, he must be supervised.

Mr. VEEDER. Are you indifferent as to who the owner is so long as he is supervised?

Mr. COLLINS. I am not particular any more than I am about the railroads. I don't care about the ownership of these railroads; that don't bother me a bit just so they are regulated and supervised and so I know something about what is going on and can believe the information I get about them.

Mr. VEEDER. Is that likewise your position as to the so-called unrelated lines, or the grocery lines?

Mr. COLLINS. As I said, I think that is a dangerous thing that might lead in time to a great injury; might lead up to something; and you might just as well quit it now as later on. I believe it would be better to stop it in its infancy than to try to stop it after it got so big.

Mr. VEEDER. If it was supervised, would you still think that they should quit?

Mr. COLLINS. I don't know about that. That would be quite a question. For the benefit of the other fellows in the business, I really think so. I don't think it would cheapen the stuff to the producer or the consumer.

Mr. VEEDER. Do you think it would make it more expensive to the producer or consumer?

Mr. COLLINS. It might do it, but it would leave it a little more open to competition. I am about that just like I was about the German

Government. I think they had a more efficient government than we had, but we had a little more to say about it and not so much efficiency.

Mr. VEEDER. Do you think that if the packers went out of the unrelated lines, or the grocery lines, there would be more or less competition in the grocery lines?

Mr. COLLINS. Well, I expect there ought to be more, but I don't know how it would work out, but there ought to be more.

Mr. SYKES. Mr. Collins, do we understand that you are in favor of including the traders' exchange and the commission men in this supervision?

Mr. COLLINS. Yes, sir; absolutely. I would like to say a word, getting back to the traders. I couldn't cover this speculator end and stockyards business in a week. I think they are more dangerous to the public than the packers.

Mr. VEEDER. Who is that?

Mr. COLLINS. The trader.

Mr. VEEDER. Is it possible?

Mr. COLLINS. That is saying a whole lot, isn't it? You heard Mr. Ames talk yesterday about the cooperative company he started into. He was in Chicago. I was in Kansas City. I was shipping cattle. I just had a very infant industry. My means were very limited and my equities were very small, and when they started this cooperative live-stock commission in Kansas City I was heart and soul for the movement, but my capital was so limited and my equities so small that I did not dare try it out, because I was there with the first cattle that arrived. I believe you said yesterday, Mr. Ames, that the packers bought them.

Mr. AMES. They did, in Chicago.

Mr. COLLINS. In Kansas City the packer did not buy them the first two or three days, because the packer buyers were members of the live-stock exchange and the live-stock exchange prohibited their members from doing it, but Mr. Murdock McKenzie, who is now representing Mr. Wilson at a good, big salary, was president of the whole thing, wasn't he?

Mr. O'DONEL. No; he was one of the executive committee.

Mr. COLLINS. He was president of the American National at that time, wasn't he?

Mr. O'DONEL. Yes.

Mr. COLLINS. He was the big duck in the puddle about putting that cooperative commission company over. The first cattle that arrived there they couldn't sell, but Mr. McKenzie got that straightened out in a day or two, and the packers bought the cattle all right. There was not any fault about that, but they couldn't sell the cattle at all in the yards, and the commission men would not have a thing to do with them, and the speculator would not buy a hoof of cattle. So that dragged on for three years. I was afraid to ship my cattle, because when you ship a bunch of cattle it is just a question of whether they go to the packer or to the country; and if you shipped them to the cooperative, you only had one outlet, and that was the packer, because the commission men would not buy them or the traders either. But, anyhow, that commission company went into court. They got an injunction against the live-stock exchange and the

traders' exchange, and it was taken into the Wyandotte County District Court of Kansas, just across the river from the stockyards, and the injunction case was tried out before Judge True, and I do not know whether there are any of those decisions in existence to-day or not, but they were printed afterwards. He had a permanent injunction on them. At that time the live-stock exchange was in Kansas, and he issued a permanent injunction, and about the substance of his report on that case in handling that injunction was that that was nothing more than against a band of thieves. Now, that is just about the language he used. I think those speculators in Kansas City are about the worst things that ever existed. You couldn't get a thing through there. One of the best friends I have in the country, George McMullen, of the McMullen firm in Kansas City—I raise calves out in my country. I have 2,000 head of as good unregistered Hereford cows as there are in the world, and I raised very fine calves, and I have been selling them out home, but in 1917, I think it was, there was not much demand for calves. They had been discriminating against baby beef, and there was not very much demand, and so I couldn't sell my calves, and I wrote down to George McMullen and told him that if he could sell my calves through the Kansas City stockyards direct to the country people I would ship him those calves. He has known for years how I felt about the speculator. I had 1,500 of these calves, and he wrote back and said: "Charlie, I know how you feel about this speculator business, but I can't promise to put these calves through there."

Now, if there had been any way in God's world to get those calves through the stockyards—I told him, "I have spent a lot of money raising those calves, and if they go out into the world I want it known that they were raised by Collins, and maybe he will come back and buy some more. If they go through a speculator, they will not know who raised them." But I did not put them through there. They could teach the packers lots of things. I will say to the attorneys for the packers who are here present that they can get a lot of information from those traders at Kansas City. They have it all down. I would include them, by all means, if I did not include anybody else.

Talking about this matter, Mr. Currie, who testified along the line that he has made money; I know lots of people who have made money. He goes back in 1893. I am not kicking because I have not made any money; I have made a lot of money, but I do not give the packers credit for making me one dime, nor anybody else. My wife belongs to the Methodist Church, and the minister came up there the other day. I have 42,000 acres of land, and he came up to get a donation. He said, "Mr. Collins," and he looked all around, "the Lord has been awfully kind to you, hasn't he?" I said, "Yes; but Charles E. Collins has been mighty busy all that time, too."

Now, Mr. Lasater was talking about what it cost to produce calves. I want to say to you that I have never stopped to figure what it cost to raise a calf. I did not need to do so, because I was making money anyhow. I never have got down to where I had to figure what it cost to raise a calf. But after Mr. Lasater testified and said what it cost to raise a calf—and what did he say, $46?

Mr. AMES. Yes.

Mr. COLLINS. I thought he had made a mistake, perhaps. I did not see how he got his figures. You have his figures, but I did not know

how he figured it. But after I went down to the hotel that night, and just before I came up here, I had made out my income return, and while I did not bring any of the figures along, I remembered them in round numbers. I figured it up from my expenses and one thing and another to see just what it did cost to produce a calf on my ranch if I allowed myself anything on the investment there. Now, I own out there in my ranch 42,000 acres of land. I have been 15 years accumulating that land. I have bought it all the way from $1.50 to $25 an acre. I do not know just what it did cost; I never kept any exact track of it. But I succeeded, when we went on to the income-tax proposition, in getting the Government to take it at $10 an acre. I had thought that whenever the land got to $10 an acre I would sell it out and have all the money I needed. But about that time the war came on and I could not sell it at all, and I have got to keep it now.

Mr. YOUNG. It would look like the income tax is a good thing to keep a man like you owning a home.

Mr. COLLINS. It keeps us in business, yes, and we can not get out now.

Land is selling from $20 to $40 an acre in my country. For many years I have discouraged as much as I could any people from coming to Colorado, stating that the land was not worth much, that they could not raise anything. Of course, I was trying to buy land as cheaply as I could.

Mr. GRAFF. Was that before you had you 42,000 acres?

Mr. COLLINS. Yes, sir. I was using packer methods then. I told Mr. Timberlake to-day, who is our representative, that many people had come in there. Anyhow, for the last five years farmers have been coming in there, and it has developed into a farming country. We are going to ship from Kit Carson this year 150,000 bushels of corn—something nobody ever dreamed of. People have come in there from Iowa and other places. I put that land in at $20 an acre, which would make the value $840,000. I generally try to keep about 2,000 cows. The number varies, running from as low as 1,600 and up as high as 2,300, but I usually have around 2,000. They are good cows, too. I have put them in at $75 a head; I would not take $100 a head for them, but do not suppose I could get $75 a head for them. That would amount to $150,000. I have got about 100 bulls, pure-bred registered bulls.

I have bought them as yearlings and 2-year-olds, and I have paid for them all the way from $150 to $400 for a bull. Some are old and run down now, and I put the bulls in at $150 a head. That makes a total of $15,000. My farm equipment, tractors and horses—and I keep about 50 head of horses, because I farm about 1,000 or 1,200 acres of land—and I put in all of my farm machinery and equipment, and so on, at $10,000. That makes a total investment of $1,015,000.

After Mr. Lasater stated what it cost to produce or raise a calf I made up these figures. He figured his money at 8 per cent. I decided that I would put mine in at 6 per cent. Interest on $1,015,000 at 6 per cent represents $60,150. My labor and board of men on the ranch this year, in round numbers, was about $7,000. My personal taxes, land, and cattle was $5,100, but I put that in, in round figures, at $5000. We had a very hard winter last year. The winter of

1918–19 was a very hard winter out there in our country; it was such a hard winter with us that we all had to buy a lot of feed. I bought a lot of feed; and so I would say that I bought $20,000 worth of cottonseed cake, but I divided that up as of January 1, and am taking only half of it, so that I am putting in $10,000. I put in new equipment, repairs, blacksmith-shop tools, and so on, $2,000. Therefore you will see that I would have had to earn $84,150 in order to get anything out of my investment.

Now, then, the 1,500 calves that I had I could not sell last fall as there was not much market for them, but I made up my mind I ought to have more for them and I placed a price of $40 a head on them. Nobody would buy them. I could not have sold them probably even for $35 a head. But I am figuring the calves in at $35. If they had been sold at that price, it would have produced $52,500. If I deduct from the $84,150 this valuation placed on the calves, $52,500, it leaves a balance of $31,650 that I would have lacked of getting anything out of my work, figuring 6 per cent on my investment.

Now, on the other hand, gentlemen of the committee, I can show you how I could turn that into a profit. It is said that figures don't lie, but there are various ways of figuring. Figuring 6 per cent on my investment, makes the calves cost $56 a head. I never have been figuring that interest on there, because I figured that I had that and it did not cost anything.

Mr. HUTCHINSON. Do not you sell anything but calves?

Mr. COLLINS. That is all, except my old cows. As my cows get old I cut the number down. I keep enough heifer calves to keep up my herd. I used to raise steers, but I do not do that any more.

Mr. RAINEY. Do you need 42,000 acres of land for your cows and calves?

Mr. COLLINS. No. But I give them lots of grass. I do not need it all for that purpose. We used to have in our country to run them the year around from 15 to 20 acres per head. We used to figure on 20 acres a head, but now, in the winter, we feed them cottonseed cake and they do not need so much grass.

Let me see now how I can show you that I am making money on them. I owe $150,000 on my place. Deducting borrowed money—$150,000—from the valuation placed on the land, would leave $865,000. Not figuring anything on that and figuring interest off that amount, it would take $51,000 off. I have an expense account, in round numbers, of $32,000, and deducting that from the value of the 1,500 calves, at $35 an acre, would give me $20,500. If I had sold those calves last fall at $35 a head and gotten the money for them, I would have shown a cash profit of $20,000.

That is what I had been doing year after year. I have been making a little out of my business by not figuring anything on my investment. And I have taken this money and bought more land and kept going. But I never had, until Mr. Lasater spoke of it, figured what a calf would really cost if I figured 6 per cent on the land.

I want to say, gentlemen of the committee, that there is no secret about this. I consider that I have made money. I am not here kicking because I have not made any money. I have a little statement made up here which I will hand to the reporter for the use of the committee and to be put in the record if desired.

(The paper furnished by Mr. Collins is here printed in full in the record, as follows:)

Statement of Charles E. Collins, of Kit Carson, Colo.

42,000 acres of land, at $20 per acre	$840,000.00
2,000 cows, at $75 per head	150,000.00
100 bulls, at $150 per head	15,000.00
Farm equipment, tractors, implements, horses, etc	10,000.00
Total	1,015,000.00
Interest on $1,015,000, 6 per cent	60,150.00
Labor and board of men	7,000.00
Personal taxes, land, and cattle	5,000.00
Feed bought, cake and hay, 1918	10,000.00
New implements, repairs, etc	2,000.00
Total	84,150.00
1,500 calves, at $35 per head	52,500.00
	31,650.00
Cost of producing calf	62.75
Value of calf	35.00
Loss per head	27.75

Mr. Currie talked yesterday like the cattle business has been profitable. It has been profitable. I have made money. But I do not know that I have made my money out of cattle. There are other men in my country who have come in and bought land like I did and have never run any cattle on it at all. In fact, I have used a lot of land that I did not pay anything for at all. And they have made as much money as I have and have never run any cattle on their land at all. That is no criterion, because we have made money in other lines of business.

Mr. TINCHER. You say you have 42,000 acres of land?

Mr. COLLINS. Yes, sir.

Mr. TINCHER. And you started buying it at a dollar an acre?

Mr. COLLINS. Yes, sir; at a dollar and a half an acre up.

Mr. TINCHER. Are you worth any more to-day than the increase in the value of your land?

Mr. COLLINS Practically my whole worth is what I have made out of the land. The increased value of my land is practically all that I am worth; it has all come practically from the enhanced value of the land.

Mr. RAINEY. Have the cattle you raised helped increase the value of your land?

Mr. COLLINS. No; they really have kept the land down. We have fought the farming end of the business so long that, as I said to those farmers that were coming in, "This is no farming country." I fought them for years. I did not want them to come in there. I owned a little land then, but I was using 350,000 acres of land there. The Union Pacific ran on one side of me and the Missouri Pacific on the other side of me, and both of these railroads were fenced, and I had the land running from railroad to railroad so that I had approximately 350,000 acres of land that I could graze and I was not

paying anything on it. I had a magnificent thing and I wanted to keep them out.

But the situation has changed. I tell them now that by their coming in and proving that that is an agricultural country, and that they can farm it succesfully, has made me more money than I would have made in the old way in the cattle business all my life. We used to have steers out there, and did not feed them, and every third or fourth year there was a hard winter and would kill about half of them. We would get a setback.

Gentlemen of the committee, I do not know that there is anything more that I can say to you that will help this thing out. I know a thousand and one things that I could tell you, but I do not know that they would be of any benefit to you. I want to say that I am very much in favor of some kind of legislation, and that I am willing to leave it to you gentlemen. You have heard us all here, and know what ought to be done, and I am perfectly willing to leave it to you gentlemen to do it.

In regard to the Federal Trade Commission, let me say that I am a firm believer in their report. Notwithstanding the packers and the National Chamber of Commerce and some others have passed an adverse judgment on that report still I firmly believe in it. And I want to say to you that I do not think the National Chamber of Commerce possesses a judgment of what the Federal Trade Commission has done and the value of their work that is one iota more valuable than my own opinion. I do not htink that their judgment is a bit better than mine. I have always said that the Federal Trade Commission was created by the Congress to perform the very work that they have gone out and done, and now the first report that they have made has been faced by a disposition on the part of certain people to discredit it. And I want to say to you gentlemen that if you have not got any confidence in the Federal Trade Commission's report you should do away with the commission. I think it is fine and that the commission has done a good work, and that it should have your backing, and that we should all stand behind it.

Gentlemen of the committee, I thank you.

The CHAIRMAN. We are very grateful to you, Mr. Collins.

Mr. ANDERSON. Mr. Chairman, I would now like to have the committee hear Mr. Stinnett, of Texas.

The CHAIRMAN. The committee will be very glad to hear Mr. Stinnett.

STATEMENT OF MR. A. S. STINNETT, OF THE BUYERS' AND SELLERS' LIVE STOCK ASSOCIATION, OF AMARILLO, TEX.

Mr. STINNETT. Mr. Chairman and gentlemen of the committee, I feel no little embarrassment in undertaking to handle so momentous a question. Candidly, I do not believe since the great effort of Patrick Henry by which the American Colonies eventually won their independence has there been up for consideration before the Congress and the people of the country a matter of more vital importance to this great Nation of ours than is the question you have under consideration to-day. And I regret that we have not a Patrick Henry

here to present it, because I feel, coming as I do from the great plains of Texas, with the breath of the farm and the ranch upon me, that we have reached a crisis in the history of America. In fact, I do not believe that in the last half century any question has come before the Congress, or that one will ever come in the future, that is of more importance than this one.

Now, gentlemen of the committee, these things I will touch on lightly as I go along, but I would first explain what the Buyers and Sellers' Live Stock Association of Amarillo, Tex., is. I want to do that for fear that the name might be misleading and not carry the weight before this committee that it is entitled to. The Buyers and Sellers' Live Stock Association is composed of the pioneer cattle producers and finishers of the great plains of Texas. They produce; they handle; they finish. The idea is this: To bring together the feeder of Illinois, of Iowa, and of Kansas; to bring together the producer from the Rio Grande belt and the south plains and the southwestern borders of Texas that extend from El Paso to the Gulf of Mexico, a territory of perhaps 50,000 square mile; that in that great breeding territory they may come and meet on common ground at Amarillo and there discuss the sale of their calves, their yearlings, their 2-year-olds, and their 3-year-olds.

As is well known, the plains of Texas is a region of country 3,650 feet in altitude, with the most nutritious grass and the purest water in the world, where cattle make a growth that is not equaled at any other place on the face of the globe. Therefore the ranchers of the Pan Handle are more interested in buying stock that are produced in the Rio Grande country, and those cattle are held and eventually passed on to the buyer from Kansas, Illinois, and Nebraska. So we of the Pan Handle are vitally interested in the corn belt of Illinois; we are interested in the production upon the farms in Kansas, Nebraska, and Iowa.

Now, gentlemen of the committee, I would explain further my connection with this association. And for the benefit of the record that was made in the Committee on Agriculture and Forestry of the Senate last fall, I would state that the secretary—and I am merely the acting secretary—that the regular secretary of this organization, of his own accord, or of some accord, and I do not know what, last fall when the consideration of the Kenyon bill was going on before that committee came to Washington. The first thing that his employers knew, he was in Washington. They called at his home to know where he was and what his business was. The officials of that association were informed that he had gone to Washington to testify against the Kenyon bill. He had no authority from his association to do so, and I dare say that 99 per cent of the members of that association are in favor of this legislation, and enthusiastically for it. I would go further and say that they are the leaders of the movement in Texas. And yet those men were informed that their secretary was in Washington to testify against the Kenyon bill. As soon as we ascertained that fact they wired his dismissal while he sat ready to go on the stand.

Mr. YOUNG. I think that gentleman figured in some testimony given before this committee a few days ago, but there seemed to be some uncertainty as to his name. What was his name?

Mr. STINNETT. His name is J. H. Avery. He had not been paid any expenses by that association to go to Washington upon that occasion. His salary was $100 per month, and he had not one cent advanced him for the trip. And, as I stated just now, he was wired his dismissal, and Senator Kenyon read a telegram in the committee room just a few minutes before this man was ready to go on the stand. Avery wired back an answer that he was there to testify for himself.

Mr. YOUNG. Can you state to this committee what this gentleman is doing at this time, what his employment now is?

Mr. STINNETT. Well, sir, he is in Amarillo. He has not a hoof of cattle on earth, and never did have that I know of, unless it was a milch cow. He has not been in the live-stock business, but is a man who has followed around one way and another in some employment by some of the ranchmen to do a little work here and there, but what his actual occupation was I do not know. Anyhow, they gave him that position and paid him $100 a month.

Mr. YOUNG. Do you know whether he attended the Live Stock Association meeting at Spokane, Wash.?

Mr. STINNETT. I understand that he did. And I expect that he will be here. I have an idea that he will be here, judging from the past. I think he will appear here, and I will state that my belief is that he will testify against this proposed legislation.

Mr. COLLINS. Didn't he just recently make a trip all the way to Spokane, too?

Mr. STINNETT. Yes; he did. He is traveling. As I say, he has no cattle; he has no land. If he has any resources whatever they are invisible. How he gets along I do not know. I would not make any reflection upon that man's integrity, because I would not injure any man, but I would say to you that that looks very bad.

Now, as to my connection——

Mr. VEEDER (interposing). Pardon me, but did Mr. Avery testify at the Senate committee hearing?

Mr. STINNETT. I do not think he did. I think I have read that he did not. I expect that he was advised not to testify. It would be my opinion that he had advice not to do it. I know that I would have done so if I had been an attorney for the packers. I would have said: "You are now so discredited that I will not permit you to go on the stand." I would consider that good law as a practitioner, which I presume you are.

Mr. VEEDER. Nevertheless, he did not appear; whatever his reasons or his advice might have been, he did not appear, did he?

Mr. STINNETT. He did not, because that wire forestalled him.

Mr. ANDERSON. I did not understand your statement, Mr. Veeder.

Mr. VEEDER. Nevertheless, whatever his motives or advice may have been, and so I understand you to say, in answer to my question, that Mr. Avery did not testify before the Senate committee.

Mr. ANDERSON. He did testify before the Committee on Agriculture and Forestry of the Senate, and his testimony is to be found at page 1492, volume 2, of the hearings of that committee.

Mr. STINNETT. Well, I would have acted differently. If I had been an attorney for the packers, he should not have gone on the stand, is what I have to say about that.

Mr. ANDERSON. He made a very short statement, I will say.

Mr. STINNETT. Now, to come to my connection with this matter: I am here, gentlemen of the committee, without any salary. I get no fee. This association did say to me they would pay my expenses while so engaged—that is, railroad fare and hotel bills. I told them that for the time I would occupy that position I would charge them probably enough for a stenographer to do the extra work. My business is dealing at wholesale in grain and cotton-seed products. I have been associated with the cowmen and live-stock producers all my life. My earliest recollection and my business career has been with them. Since 1893 I have been at Amarillo, Tex., specifically engaged in the sale and disposition of cottonseed cake, meal, and hulls. I introduced them out in the Pan Handle of Texas, into New Mexico and Arizona and practically every State west of the Mississippi River. I have distributed it in Oregon, Idaho, Montana, and all those great States of the West. I have been in constant touch with the cowman, and have watched his ups and downs and his difficulties, and am familiar with his situation. I could bring here to-day and put into your records in this case hundreds and thousands of letters from men who have been my customers in former years in the States clear up to British Columbia, men who tell me that they have gone out of business, and they answer no more one's wires and letters. They are not interested, because feeding has not been profitable. That has been diminishing and going on at an increase in rate for a good many years, until now we find that the great Pan Handle of Texas is doing practically no feeding. We find the farmers discouraged. And, gentlemen of the committee, you can not dissociate farming from stock raising. They are interwoven one with the other. There is no dissociating the two propositions. When you speak of farming you are necessarily speaking to some extent of stock raising. One is an adjunct of the other. Farming and stock raising are interwoven. When the price of cattle on the Pan Handle goes down, the price of corn in Illinois goes down. They rise and fall together.

What do we now find in the Pan Handle of Texas? They were encouraged to go ahead and increase their purchases and enlarge their farms, and oil mills are near by, within 60 to 80 miles. They said: Go ahead and you will have diversified feeding. Time and again have I sold cake and hay distributed to the small feeder and the large ones; and have I seen the farmer who was encouraged to take hold of 100 head of cattle, or 200 head of cattle, and he would say, "Cancel out the remainder of my order; I am busted; ruined." And he would have his good wife and his children with him. He would have the good wife who had cooked for his hands and who had lost all along with her husband. There were men and women who had worked from daylight to dark, and knew no such thing as hours of labor, and who had been ruined.

To-day I could not point my finger in that greatest of cattle regions of the world to one single feeder, not one full feeder. The thing is gone. The lands have not risen of late because, while the production is there, it can not be consumed. We called a meeting at Amarillo on January 20 to consider the question of cars for the movement of that great crop and estimated at something like 25,000 cars of Pan

Handle production that still had not moved. And regardless of the price of alfalfa and all of the good and nutritious foods that they would have and would say to the cow man, "Take it and feed it," yet he is not doing it. He feels that ruin stares him in the face. Recently at Amarillo there was what was known as the annual convention of the Buyers' and Sellers' Live Stock Association. There were over 1,000 men registered there, and I understand they came from 10 States. Yet not one transaction was made, as far as I was able to learn. There was not one man who inquired seriously to buy. They did not know what was going to become of them. They were there to talk almost in whispers and in almost hushed voice as to their future, but there was no trading.

Now, gentlemen of the committee, I want to read a resolution that I have. And, mind you, gentlemen of the committee, that I am not charging that the association, and it is not my sentiment personally, has told me to come here with any vicious argument against or to engage in an arraignment of the packing industry. I do not say that with any degree of obsequious flattery, because I feel the packer will always take care of himself under any circumstances. I do not say that we are going to oppress the packer, because we can not, even though we would not if we could; but I do say that I represent broad-gauge business men who would not oppress anybody. They are not bolshevists, or socialists, or communists. They are men themselves engaged in big business, and they want to continue so. They are men who own large bodies of land, and anywhere from 1,000 to 10,000 or 20,000 head of cattle. And they want to continue in the business, because they love the business and because their forebears were in the business, and because they want to hand the business down to their descendants to carry on. But they know they can not hope to do this unless there is a modification of the present system.

I will read this resolution into the record and give you the names of the men signing same; and I desire to leave the original for the benefit of the committee so that they may have the original signatures of the men who have sent it here. [Reading:]

AMARILLO, TEX., *February 26, 1920.*

Whereas there is now pending in the National Congress what is known as the Anderson redrafted Kendrick-Kenyon bill, having for its object the regulation and supervision of the meat-packing industry of the United States, such embodying clauses providing for the creating of a commission to supervise the operations of packing houses and the marketing of live stock, and the finished products therefrom; the functions of the said commission to be along a line similar to those of the Interstate Commerce Commission, in its regularity control over the national railways, and other such features as will safeguard the best interests of the producers, the consumers, and the packers: Therefore be it

Resolved, That the Buyers' and Sellers' Live Stock Association, of Amarillo, Tex., embracing as it does many men foremost in the Nation's beef production, go on record as favoring and indorsing the Anderson redrafted Kendrick-Kenyon bill, and pledge its faithful and earnest efforts in the final passage and enactment into law of the aforesaid bill.

R. B. MASTERSON.
WM. E. HERRING.
LEE BIVINS.
B. T. WARE.
BERKLEY DAWSON.
JOHN LANDERGIN
A. S. STINNETT.
W. H. FUQUA.
W. O'BRIEN.

Now, let me explain that the first signer, Mr. Masterson, owns something like 100,000 acres of land and usually carries from 2,000 to 10,000 head of cattle.

As to Mr. Herring, he has a farm, I think, of about 250,000 acres, and usually carries from 10,000 to 20,000 head of cattle.

As to Mr. Bivins, he owns about 200,000 acres of land, and usually carries from 10,000 to 30,000 head of cattle, and possibly has 20,000 head now or should have on hand.

As to Mr. Ware, he is the president of the Amarillo National Bank and is a rancher, and has interests here and there more or less over the entire Panhandle.

As to Mr. Dawson, he is a large operator and produces a great number of cattle.

As to Mr. Landergin, of the firm of Landergin Bros., they have 150,000 acres of land, or perhaps 200,000 acres, and usually carry from 10,000 to 30,000 head of cattle in the Panhandle of Texas. In Kansas they have a big ranch and also in Arizona. They are among the largest operators in the cattle line.

As to Mr. Fuqua, he is the president of the First National Bank, and has three or four ranches. He has perhaps 2,000 head of cows on one ranch and has a steer ranch at another place. He perhaps owns from 150,000 to 200,000 acres of land.

As to Mr. O'Brien, he is the president of the National Bank of Commerce, and a large cattle and land owner as well.

Now, gentlemen of the committee, you can see that these are big men themselves, and that they would not want to do anything that is not in the best interests of the people as a whole.

Mr. YOUNG. These gentlemen whose names you have read from your knowledge of them are not men who would lightly consider a serious proposition like this, are they?

Mr. STINNETT. No, indeed. They are such men as are the bulwark of this Nation. They are men who when the Food Administration said we want more meat, we want to safeguard the Nation's supply of meat, we want to increase it, because beef will win the war; I say, they are men who jumped into it and increased it in every way they could, and did everything they could to increase the supply of meat. The faced and fought the awful storms, and blizzards, and snows, and everything else. They have done that, and these men's forbears did it in Texas. A number of these men that we have in the Pan Handle are men whose fathers engaged in the production of cattle in southwest Texas in the old trail days, when cattle were driven from San Antonio on up into Kansas, Wyoming, and Nebraska; men who moved out on to the plains, and have been engaged in the business always. but who are now actually and positively preparing to go out of the business.

One of the biggest producers in the Pan Handle of white-face cattle has been largely engaged in the productions of cows, because, as you know, cows only produce calves; and if we are to keep this beef supply up we must have cows. There is no way of getting away from that. But so serious is the situation, what is he doing? He is spaying his she cattle. Others are doing the same thing. Fine white-face cattle are being spayed because they say they do not want to follow this business and will not follow it unless there is some as-

surance that the business can be stabilized and that their interests will be safeguarded and protected in the future.

We find the number of cattle rapidly diminishing. I can recall not long since when the Panhandle had 2,000,000 of the 5,500,000 cattle in Texas. I do not wish to enlarge upon it myself, but I am the president of the Pan Handle Plains Chamber of Commerce, which embraces 38 counties. We gather statistics in every way that we can. We are committed to the policy of trying to develop the resources of that great empire, which, if properly developed, would almost feed the United States in the matter of beef. We are trying to do it, and are making a solemn, earnest, and undetermined effort in that direction. But I want to say that the number of cattle in the Pan Handle to-day will not exceed 800,000.

We took those statistics a few days ago at a meeting at Amarillo, and E. W. Sheets was there from the Department of Agriculture in Washington, and here is what he said on the subject of the cattle in Texas, and it was challenged because it was thought his estimates were too high, and they were, too. He said their system of getting statistics was rather imperfect, but that he looked for more correct data following the new census, which has just been completed and which will be announced a little later. He said they had been depending upon farm reporters of the country to get the data. His table showed: 1917, 5,482,000 head of cattle; 1918, 4,660,000 head of cattle; 1919, 4,287,000 head of cattle; 1920, 4,458,000 head of cattle.

I will show you how came about the increase for 1920 over 1919. There was a drought on in the Southwest and cattle had to be shipped out of Wyoming and the Dakotas and Montana, and several hundred thousands of these cattle found pasturage in the southwestern part of Texas. But for that we would have shown a still further decrease.

Now, gentlemen of the committee, the question comes up what shall be done? I want to say that these Panhandle cattlemen are not pleased. In other words, they do not feel that the Attorney General's injunction, which we see was perpetuated in the Supreme Court of the District of Columbia the other day, has gone far enough. They feel that that perhaps is a step in the right direction; that it has pleased the wholesale grocers' association, but that it has not gone far enough as far as the producers and consumers are concerned.

And, by the way, let me say to you gentlemen that the wholesale grocers are pretty thoroughly and strongly organized, and they can pretty well keep pace with the packers. They have got big attorneys themselves, and they have a strangle hold. I know because I am an old wholesale grocer myself, and helped to organize the first wholesale grocers' association in Texas, and belonged to the Wholesale Grocers' Association of the South. I know how determined those fellows are. I made the prediction several years ago that they would shake the packers off, and they have done so.

Now, gentlemen of the committee, our people do not believe this consent decree goes far enough. Judging by the past they believe there should be some measure of enforcement. In other words, they believe a commission should be created, and that the eye of that commission should be on the action, conduct, and operation of

the packer every hour of every day of every year. That is what they feel should be done, and that the commission should have the power to enforce its decrees.

Now, gentlemen of the committee, that is the idea with us. Though, of course, as I stated a little while ago, and I say it in no spirit of flattery, it would be idle to say that the big man or any live-stock man in Texas, and I do not believe anywhere else in the United States, is without an interest in the packing industry. They feel an interest in the packer and in his industry because they could not succeed unless the packer succeeds. The contrary would be utterly impossible. On the other hand, they feel that the packer should be interested in them. And personally I feel this is about the situation: The packing industry having been on the defensive for 10 or 15 or 20 years in one direction and another, with all sorts of prosecutions and suits, and having every sort of defense to make from time to time, that he should want a clean bill of health, and if I were him I would come to the Congress to get it to give it to him. If they do not get this matter cleared up I make this as a solemn prediction, that in another 10 or 15 years the packing houses of the United States will be converted into near-beer factories, because there will not be any raw material for them to operate on.

On the subject of a commission, I anticipate that when the packer witnesses come on they will say there has not been a disposition on the part of the Interstate Commerce Commission to afford rates to the railroads that have been compensatory; and that it has leaned more on the side of the public at large than it has upon the side of the carriers.

I want to say that I have been in touch with commissions from the day that Hon. John H. Reagan resigned his seat in the United States Senate and came to Texas and organized the first commission in that State. And I have been before that commission, and before the Interstate Commerce Commission, time and time again, and have never found a fairer body of men, and a body of men more intensely interested in doing the right thing by everyone. When the war came on I know that I was interested in and went all through that Shreveport case, and I know that they gave big advances in Texas; I know that. I was in the case not to fight the measure of rates but the relation of rates. I wanted the discrimination against the Pan Handle of Texas removed, in the interest of the live-stock producer, in the interest of the farmer, in the interest of the merchant, and in the interest of the consumer. I said, as did our whole country: Give the railroads all the revenue that they rightfully should have; all we want is fair treatment and no discrimination, and we got it. I heard a gentleman from Iowa make here the most absurd statement I have ever heard in my life, and that was that it would cost $25,000 to institute a little proceeding before the Interstate Commerce Commission. I believe he said he had a packing house at some point over here in the State of Iowa. Now, gentlemen of the committee, these things are misrepresented. I recall that in 1905 I filed an application or made a complaint to the Interstate Commerce Commission, and that Judge Prouty took two of his associate commissioners and came to Amarillo, Tex., and heard our case, and gave us relief, and we were not out a cent. In

the Shreveport case, and in all the cases we have had to fight before the Interstate Commerce Commission, Pan Handle Texas in the last 15 years has not been out exceeding $5,000 in everything we have had to pay and we have not hired any attorneys. This man said we would have to hire high-priced attorneys. We did not have any attorneys. I handled those cases myself. I know that. You do not need an attorney to handle these cases before the Interstate Commerce Commission. You need a man with a little experience, and a man who knows how to analyze freight rates and tariffs, and who can point out the inequalities and the commission knows the remainder.

I think his attack upon the Interstate Commerce Commission was unwarranted. As that commission stands to-day it is one of the best and biggest organizations in this Nation. And, I say, that if this committee will evolve a bill that will provide such a feature, if that bill passes and becomes a law, and you have a commission of from five to seven men, or three men, as has been suggested, although I would favor five, to supervise this great industry, I tell you, gentlemen, there will be justice, there will be stabilization of the cattle market, there will be stabilization of the finished product, and the revenues of the packers will be preserved, and agriculture and live stock in this Nation will be perpetual. Without these things how can the Nation stand?

I wish to say another thing in this connection: That in the Pan Handle to-day owing to the discouragement of the farmer—and what is true there is typical you might say of the great agricultural area of the United States—according to the statistics I had my chamber get up lately, we find that in the Pan Handle winter wheat, with the most favorable conditions as to moisture and season ever known, is off 50 per cent. We find that the spring planting of wheat is almost nothing. There is little disposition to plant oats. We find the cowman discouraged just like the farmer. We find that farm labor has gone up to $5 a day. Ranchmen are paying $75 to $100 per month for cowmen on the ranch. We find that the acreage in the Northwest is going to be short. We find that the corn planter in Illinois, in Kansas, in Nebraska, and in all that belt is discouraged because every time you see hogs go off corn and oats decline proportionately.

I know because I handle grain, and handle it very extensively. We see the packer reduce the price of beef or hogs in Chicago and the other market immediately trembles and responds. When our people saw the statement a few days ago copied from one of the Chicago papers that owing to the question of exchange—which one of the gentlemen brought up here—and that the situation was that in the matter of exchange the German mark was vanishing, and the Italian florin had gone down, and the French franc and the pound sterling were all down, and that tonnage for ships had been canceled, and that export business had gone, and all meats must be very much lower; I want to tell you that the discharge of the Big Bertha that fired on Paris did not resound any louder over that nation than this announcement did when printed in the papers of Amarillo. And what was the conclusion? The conclusion was, as any intelligent men must know, that that matter of exchange can not go on indefinitely. We know that exchange must be lifted. We know that

world trade will be made normal sooner or later. But the big man and the farseeing man and the small man in the Panhandle said: "Here is the excuse for another conspiracy; beef will be depressed, hogs will be depressed, and the packers' coolers will be filled, their storage and smokehouses will be filled on the basis of the depressed price, and eventually, when restoration takes place, they will sell."

Mr. YOUNG. Is that an universal feeling?

Mr. STINNETT. That is the feeling exactly, and they are trembling to-day, gentlemen, and I never saw such feeling of unrest in all my life—I never did. I mingled with 1,000 to 2,000 men who were in Amarillo February 24, 25, and 26, and I tell you there was a dread depicted in their faces and in their voices.

This Nation owes it to the farmers and producers a maintenance of these prices. The days of cheap beef and cheap pork are gone.

I recall that when my father would not gin a man's bale of cotton without he would agree to take the seed away. You recall that also, no doubt, if you are as old a man as I am, Mr. Young. My father would not gin the cotton except that the seed must be hauled away, and that was a part of the contract. That seed sells to-day for $70 per ton. Cake, when I first handled it, sold for $12 and $15 a ton, and it is worth around $70 a ton at the mill to-day. And still you talk about cheap beef. It can not happen again. I want to say another thing. You have had a gentleman here from Moultrie, Ga.—I don't recall his name—but he seemed to me as a man who possessed a great deal of mesmeric power, so that he mesmerized people. In other words, he had performed a very great, supernatural feat in selling some plant down there at Moultrie, Ga., at a big figure, and they were all lying down in the pasture together in perfect harmony.

We have a packing house at Amarillo—just the house—built there in 1910, about the time cattle kept going down and down, and we kept talking about the "Beef Trust." And you know those words, "Beef Trust," like Banquo's ghost, they "will not down," and in the Panhandle any child there—on the plains, at the ranch, and on the farms—knows the words "Beef Trust" before he knows the Lord's Prayer, because he hears it; it is instilled into him every day.

So, when the thing started down there some members of the Panhandle Raisers' Association said, "Let us have a packing house right here at Amarillo." Well, some of them said, "It is all right, but the freight rate is against us." Even so far ahead they had come to talk about the freight rates. "There is a disparity against Amarillo and this country on freight rates, and the packing house must be on an equality with other things."

They came and talked to me, and I said, "All right, if you are going to build a packing house. I never saw a State commission fail to do what is right. Go on with your packing house and I will see them." They organized and built a plant there, having raised about $200,000. The plant would probably cost at the present day $400,000 to $500,000 the way building material, labor, machinery, and all those things are costing.

And I did. I put Amarillo on a parity with Fort Worth and Dallas on shipments by the Beef Trust to Boston and New Orleans. They shipped their product to the North in the same way and distributed their product over to Mexico to a big advantage, and also in

near-by Panhandle. Even their tin cans and boxes, and everything they would use in the packing house, I had them listed in the Interstate Commerce Commission, who kindly arranged it; and the State commission kindly arranged it. Everything was all fixed.

The packing house was opened with a jubilee, a ball, or something of that kind.

It ran only 60 or 90 days, or a matter of four months, and closed down, and stands there to-day as a monument to misplaced confidence. Yet the people believe, and, in fact, know, that there is not a better location in America to-day for a packing house than in Amarillo.

Fifty per cent of the hogs go to Fort Worth, and I think they surpass anything received by Swift and Armour at Fort Worth in quality; they go from the Panhandle, and the beef goes farther—all over the entire country. The great Santa Fe Railroad, with its branch lines over the Panhandle, in New Mexico, and Arizona; the Fort Worth & Denver and Colorado & Southern clear up to Puget Sound; and the Rock Island and all those roads, with a parity absolutely on freight rates, with consumers near at hand and with packing-house products being a perishable commodity, hard to ship from Chicago and distribute even in the refrigerator cars that you have heard so much about, it is difficult to do it; and we now believe that if you give us some needful legislation we will open that packing house and we will make it a God's blessing to the farmers and live-stock producers of the Panhandle, and we will make it contribute to the granary and the smokehouse of this Nation. And we can not do it until you do; and I believe that this committee will see that that is done.

Mr. YOUNG. Can you specify a little more at length why that plant established at Amarillo did not prove to be successful in its operations?

Mr. STINNETT. They failed to get the capital after starting. They could not get the capital. Efforts were made to get it. A veteran packer had charge and he tried to canvass the whole country, and he could not do it, because everybody said, "We do not wish to risk our money." You take the live-stock producer himself, as such, and he could go and get the money. There are a number of men there who can raise enormous sums of money, but they said, "We know nothing about the packing industry; we have had no experience in it, and we would not risk our money in a propositon that we know Swift, Armour, and others could crush the plant at any time and make it unprofitable and lose all the money."

It is a question of confidence. Whether that existed in reality, the fact remains that the proposition was looked upon as unfavorable for men to risk their money in, and the banks of the country would not do so, because they all used the same argument. They would say, "There is Wilson and Morris controlling the Oklahoma City plants and there is Cudahy up here at Wichita, Kans.; Swift and Armour down at Fort Worth, and you would be all surrounded there, and just by a wink of the eye they could fix things in that territory so that you would run at a loss."

But that would not have happened; they would not have had that suspicion——

Mr. YOUNG (interposing). Another question in that connection: Is t your belief that these packers have such an influence with the credit facilities of the country who otherwise furnish money, that they have such an influence with those credit facilities that they can prohibit he establishment of such a packing plant?

Mr. STINNETT. It is my belief absolutely, not saying they are going out and making a practice upon that kind of thing. You know about hat just as well as I do—without making that as a direct charge, but I do know that one breath from them and the banks of Amarillo or any other banks in that whole country would cut off every cent. But I do know that it would not do it if we had this supervision. I do know that we could open that plant at once and immediately. Why? Because it is so feasible. There it stands in the midst of the greatest poultry country in the world. Swift and Armour and other packers ship out of that country solid carloads of chickens and turkeys which they gather from all over that country. It is the ideal ground for breeding and production of most everything that lives.

Mr. YOUNG. Another question in that connection: Suppose Swift, Armour, Wilson, or Cudahy, or any of these large packers, should take over the packing plant that they have there. Would there be any question about the physical surroundings as to the supply of cattle, hogs, etc.?

Mr. STINNETT. Nothing in the world.

Mr. YOUNG. Your opinion is that they could make a complete success of it and make good money out of it?

Mr. STINNETT. Yes. It has not been anticipated that they would take hold of it, although they have been approached on that subject from time to time; I know they have, in reality. But from Amarillo it is 325 miles to Fort Worth, where they have a plant, and they have a plant at Kansas City. The idea with them would be that as long as they can drive that raw material either to Fort Worth or Kansas City, Wichita, or some other place where they have investment all ready, that it would not be very good business. You could see that. Of course, it would pay and be profitable. But then they have these investments at these other places; and as long as they are driving that raw material to those places and supplying finished product from their branch houses and enormous distributions, because of the railway facilities and the large region of country served by the railroads that run out of Amarillo——

Mr. YOUNG (interposing). The great fact of that Panhandle section not having a packing institution located at Amarillo or some other central part is that the producer of live stock must stand the freight charges to these far distant markets—Fort Worth, Kansas City, and St. Louis?

Mr. STINNETT. Yes; that is right and the product must come back. They have two big plants—Swift and Armour—at Amarillo. You understand they ship green pork products in there and do some smoking and curing of big stuff that ought to be manufactured right there, and from both ways save tremendous freight charges. That is a big question in economics that must be worked out, and all we need is just these safeguards by which people will feel satisfied.

I want to answer one question which was brought up here as to feed lots at the oil mills in Texas. I think, Mr. Young, you asked

that question of the gentleman from Wyoming who was testifying. There are very few oil mills in Texas that have any cattle on full feed. I have had them at the oil mills the past several years. I recall that three or four years ago some oil-mill man told me he wanted me to get them some feeders, and I could not do it, and he said, "I will go and buy some cattle myself and feed them." He did, and he lost his cattle and the oil mill both in the operation. He had to go clear out of business; he not only lost his equity in the cattle but he lost his interest in the oil mill.

Mr. YOUNG. I am probably 400 miles from you, in Kaufman County. We have three oil mills in that country, which is one of the greatest cotton-producing counties, as you know.

Mr. STINNETT. I know it is.

Mr. YOUNG. And a few years back there were several independent oil mills started. Each of those oil mills had great feed pens there, and we had quite a number of farmers fattening cattle. One man would probably fatten 30 head of steers, another 60 head, and on up until men like Cartwright, whom you probably know, would fatten up into the thousands. That continued for a period of years. I might remark that my own brother was in that business, a cattleman. But from year to year these operations began to cease, and although I know them all to be good business men, they have succeeded in other business—banking business, and mercantile business—but they found this such a questionable venture, although the cattle were raised in that community and the feed was prepared from these oil mills in that community, with no freight charges or anything to interfere with the successful operation of that kind of business, yet those men have practically every one quit that business. These feed lots are vacant, and this product is shipped away from there, notwithstanding they wanted to follow it up.

Mr. STINNETT. They wanted to follow it up; and the truth of the matter is that there was not the effort made to sustain the market. There is no doubt in the world but that a commission such as we have in mind could contribute to stabilizing these markets and helping to do so. It ought not to be that because of this temporary low rate of exchange that the market is gone and the exports are temporarily suspended to Europe. There ought not to be any hardship inflicted upon the live-stock producers of this country so that they are losing hundreds of millions of dollars. They can not stand it. If they are not protected they will go down and they will take the banks with them, and they will set this country back a half century. I will tell you it will not do; that is all there is to it. It will not do; it must be remedied. There is no question about it. I know that. I have had men come and tell me, "If we have to close out our cattle at what we can sell them for to-day we will lose $200,000 or $300,000 and be irretrievably ruined.

Such a commission, if it existed, would say to the American people, "You must pay more for beef." The packer can not see it—or rather he can see, but he will not give relief. Therefore, I say the packer needs a commission.

Mr. YOUNG. Let us stop right at this point a moment. You say that if a packer made that statement to the general public they would not believe it?

Mr. STINNETT. Absolutely not.

Mr. YOUNG. Would the general public have a foundation for that belief in this fact that here in Panhandle men are going out of business: they have not been able to succeed; they have not made any money. Many of them have lost all they started with. Everybody can see that. The general public are saying, "We are paying too much for beef." Is that the point in between where the packer would enter when their annual statement shows these exhorbitant profits as compared with the profits and losses of the cattlemen? Do you think that that is the reason why the public would not accept a statement from them?

Mr. STINNETT. The public will not; we know that. The public looks upon everything as propaganda that the packer issues. The packer is described here in these magazines where they take whole sheets and papers and everything of that kind that confront you. Millions of dollars every year come out of the high prairies and plains of Texas and Nebraska and the feed lots and all that to pay the bills, and at the same time you will hear the packer come in here and say, no doubt, he does not want Washington to run into a bureaucracy; he does not want it filled up with expensive bureaus, and yet they spend more in one year in propaganda than it would take to run that commission 100 years.

But I would say this, that this commission in handling this proposition, if the level of beef and of hogs and of those products must be maintained, they could help maintain it if they said to the labor organizations, who are interested instead in cheap steak and high wages, what I am thinking, that by and by the brotherhoods and the members of all these labor organizations will thank God to get a job at any price, and that is surely to come if you continue to inflict this unfair treatment upon the man on the ranch. Your railroads will rot for the want of tonnage.

Mr. YOUNG. I realize we are engaged in settling a big question.

Mr. STINNETT. I think it is the most serious question that ever confronted the Nation; I really do.

Mr. YOUNG. This thought comes to my mind: It has been disclosed here in this evidence that the packers are in control of certain banking interests, controlling credit that is extended to the cattlemen all over the country. They are in control of the transportation facilities; they have got cars; they are in control of the market places, the stockyards, and they are reaching out and taking control of the oil mills that produce the feed that goes back into the cattle. So that whether they use it or not, giving them this control of credit, transportation, market place, and feed, is a power that they could make or break every cattleman in the country?

Mr. STINNETT. Absolutely.

Mr. YOUNG. The packers can not be charged with being men having no intelligence. They have the highest type of intellect in their employ; everybody will agree with that.

Mr. STINNETT. They have in their employ the cream; I know that.

Mr. YOUNG. So that they know, evidently, or should know the condition that is confronting the stock producers all over the Nation.

Mr. STINNETT. They know it—absolutely.

Mr. YOUNG. And they know or should know the universal complaint that is being made by the consumer, who must purchase these

meat products, and they know that they have the power to control the market, both of buying and selling.

Mr. STINNETT. Absolutely.

Mr. YOUNG. And, having the power to do these things, it does look like they ought to have intellect enough to know that they must, on the one hand, have such a business system that splendid business men all over the Nation engaged in stock-producing, as we know them to be, puts their time and intellect, their farm lands into this operation, and that they ought to be able to operate on a basis at which they could make money—at least a legitimate return on their investment; and, therefore, with the power that the packer has, even under the present system, it looks like it would be up to him to say to those men, "We will give enough for this product to bring to you a return that will continue you in this business"; and then, to the general public, "There is a cost price," and only retain a legitimate profit. I do not think the people of this Nation want them to work for nothing; they are willing for them to receive a reasonable return.

Mr. STINNETT. Yes, indeed.

Mr. YOUNG. Since they have had all this power, since they know all these facts, and since we see stock men going out of business in community after community, the only thing to restore public confidence and get the thing back into operation so that men will engage in the production of live stock is some kind of a commission, a Government agency, to see to it that there is a square deal all along the line.

Mr. STINNETT. To everybody.

Mr. YOUNG. And the general public will take a statement from a commission like that?

Mr. STINNETT. And if you do that, Mr. Committeeman, it would not be but a few years until they would be throwing their hats up for the commission, just like the railroads are throwing their hats up for the Interstate Commerce Commission; and I believe, almost beyond the imagination, that you wouldn't mind the American people throwing up their hats for the packers. I believe it, and they have got to come to it. As I heard Mr. Henry say in Amarillo at the Texas Live Stock Growers' Association, the biggest association of the kind in the world—and he would have been here to-day but for illness—I heard him say before a thousand men that he would never stop, and that the Texas association would never stop their efforts until this legislation was brought about.

Mr. RAINEY. Would you have this commission fix prices and profits?

Mr. STINNETT. I would have that commission handle that matter. I would choose good, able men, pay them good salaries, and I would have them go into the matter and use their own discretion and judgment. I feel that the thing to do is to give the packers a clean bill of health. I believe we ought to have a commission which could tell the people that everything the packers sent out is not propaganda. I have had their analysis of many things that I knew to be correct, and I knew the public did not accept it and would not accept it, and there are lots of conditions of that kind.

Such a commission should also state the facts to these brotherhoods the people in the East, who hear only one thing, and that is the big

cost of steak, pork, lard, or something of that kind. They do not know what the man is up against in Nebraska, Texas, or some other place, and their only interest is in getting that price down. The packer says, "We must keep the price up, because beef and hogs are high; and the millions of the people in the East do not believe that. But if the commission said, "That is true; we are supervising the packing industry; we are watching this thing and know what their cost sheets show and the cost of manufacturing, replacement, and the maintenance of their plants, and we know that they are selling this stuff just as low as they can," you would hear that cry stop about the high cost of beef and pork. The people would accept as Gospel truth and go on and be satisfied, and any man who would not would be an eternal fool, because he must know that we must have production going on.

You would close down every factory and foundry; the United States would go back and would not recover if you mar production at its source, and it can not be done. It must be preserved by all means, and that is the greatest duty to-day before the Congress here, to see that production is kept up. I want to tell you, considering the agricultural reports and all of these things I have studied and have had occasion to study, that in another two or three years we will be on dangerous ground in America. We will be on that dangerous ground because production will fall below consumption, and we have not the faintest conception of what prices will be then. I know those things to be facts. Mr. Sheets, of the Agricultural Bureau, in his speech at Amarillo, said that if we did not commence at once to increase the production of cows that in a few years America would be on a meat-famine basis, and you men know that to be reliable, from that source. That is serious.

A gentleman from the bureau has just returned from South America, and he advises that Argentina has passed a law to extend her period of five years that she cattle must not be slaughtered. Down there they are building up their industry, and you see we are coming close to that in this country. I know that in dealing with the men who produce cows. Southwestern Texas is a cow country. What would the feed lots and corn fields in Iowa, Illinois, Nebraska, Missouri, and Kansas be if they did not have Texas, the greatest breeding ground in the world? It is going backwards. You have got to have the calf and you have got to have the cow to produce the calf.

The packers have heard the cry of "wolf" at time out of mind until they do not believe it. But it is here.

Mr. YOUNG. So, then, if I get your statement, we have found that we can no longer feed cattle as in the old days I have described?

Mr. STINNETT. The grass is not there.

Mr. YOUNG. Those men have found that they could not make a success of the cattle-growing business and they have quit?

Mr. STINNETT. Yes.

Mr. YOUNG. This great breeding ground—the men who built up these herds and grow these cattle which go into the feed lots in the corn belt find that they are not any longer profiting by that kind of business, and they are beginning to discontinue their operations?

Mr. STINNETT. They have to quit. Let me tell you that I came through Illinois on the train the other day, and I talked to a gentleman who happened to be a banker and a merchant at some town in the heart of the corn belt. He said they were all restless there. I said, "Your land is pretty high?" "Yes." "What is it based on?" "It is based on how much corn we produce." "You produce almost exclusively corn?" "Yes." "Every time I see a quotation a little lower—a cent or two on hogs—corn is off?" "Yes; that is a fact." I said, "Well, if the corn goes on down, will not land go down?" "Yes; it will go down if corn goes down." "Will that affect the prosperity of your community; and will that affect the store and the bank?" "Yes." "Perhaps it might go on until it would ruin some of the banks. Suppose land drops $100 or $200 an acre, and it is entirely possible to-day, when land has reached an altitude of $450 to $500 an acre. It might not be many years until it reaches $100, even in Illinois."

He said, "The banks in Illinois, you know, have said they would not lend more than $250 or $300 an acre." "But," I said, "they are carrying some big amounts all over Illinois on the high level?" "Yes." "If your farm products, cattle, hogs, and corn all go down, there must be a big shrinkage in values, and that will break a lot of those banks, will it not? And if bank failures start, and that starts a panic, the next thing you know it spreads all over this Nation?" He said, "That is a fact, and it is alarming." And, I will tell you, gentlemen, it is alarming.

And in any course I would have pursued touching the reduction of the high cost of living I would never have started on the farm or ranch—never. They are the things which need stimulation and increase to whatever extent possible, and I would want now, above all things, to avert the present danger, and which I know threatens us, because my business extends over certain States, and I am in touch with those things and see balances.

I will say again, on the subject of commissions, that the State of Texas a few years decided that the packers would get control of the oil mills in the State, and that they would eventually be in the same position as we have in what is known commonly as the Beef Trust. So, they went ahead and said, "We will get them out under the Texas law." "There were some little proceedings. I handle cottonseed cake, and to save my life I do not know what the outcome is. The only thing I recognize is that is the same old managers, the same old methods. The packers may be out of the oil mills in Texas. I doubt if they ever got out a dollar. But if they are out, it is going to take a commission to make that statement before it is believed.

Mr. YOUNG. I do not claim to be out.

Mr. STINNETT. They claim to be out of control, but they are reaching out and getting more oil mills all the time. So, of course, it is inimical to our institutions to have a monopoly of any kind. We want to avoid monopoly, and it is also proper that an institution that has reached the dimensions in its business; that is, State, interstate, national, and international, as big as the packing houses, almost as big as the railroads, and one of the greatest industries, and touches our business life at every angle. There is no way on earth to get away from it; you can not do it.

So I will go on here. I know you gentlemen have been patient and it has been a long hearing. I know I have been here several days and have left my business, and I feel I am losing $100 or $200 a day every day I am here, because of my absence from my business. I am not attaching any unusual importance to my presence before you or to any statements I have made. But there is an earnestness underlying all of this action on my part. I am serious about it. I have no hostility in God's world toward the packers.

As you said just now, I believe the packers, with their attorneys and with their whole outfit, represent as fine an organization of sensible, brainy business men as the world ever had. They have to have them. I have watched them in the school of Armour and Swift. They are promising young men. I would watch them and I would say, "It is not long until you will be at Chicago, or to be somewhere else." They are reaching out with these great schools and drawing in the very best efforts and talent in the United States.

Now, let them go on with their good work. I am in favor of that. But let them go on within the law, and let them go on under supervision.

There is no human being in the world who is free from human greed, and there is no man ever so altruistic in the world, should you give him the power, that he will not abuse it. I do not care how good a man he is, he will abuse it. Therefore, I say, "Strip them of that power, but safeguard their every interest," and say, "You are an instrumentality in the commerce, in the manufacture of this Nation, and you deserve our commendation and will have our support in doing right, and we will see that you do do right." There is no human being who can object to that doctrine, and why they would fight and resist it, knowing as they must know that they stand before the American Nation, when instead of that they should come up and tell you gentlemen that they would like to cooperate with you and with everybody else as business men, seriously engaged in trying to straighten out a tangle and trying to restore confidence in the United States and stimulate the production of the farm and of the ranch.

If you will do that, if you will evolve a measure of that kind, it will be as epochal as the Magna Charta or the signing of the Declaration of Independence, and I believe and say that as far as the people of the Panhandle of Texas are concerned such a law will be held with a degree of sacredness second only to the Decalogue.

I thank you, gentlemen.

Mr. ANDERSON. Mr. Ames, if you want to supplement your statement of the other day——

Mr. VEEDER (interposing). May I ask the witness here a few questions?

Mr. ANDERSON. Mr. Ames wants to make a brief statement. Are you in a hurry, Mr. Ames?

Mr. AMES. I can wait a few minutes.

Mr. VEEDER. Mr. Stinnett, you have spoken several times about the packers controlling the buying of live stock and being the "Beef Trust." Have you ever sold any cattle on the market?

Mr. STINNETT. No, sir; I never have. I qualified that by saying, "commonly known as the 'Beef Trust.'"

Mr. VEEDER. You have no knowledge of the business?

Mr. STINNETT. I have no knowledge; only what I have said is the consensus of opinion, and I have so stated.

Mr. VEEDER. You are in the business of selling cottonseed cake, are you not?

Mr. STINNETT. Yes, sir.

Mr. VEEDER. What proportion of the oil mills of Texas does Swift & Co. own, do you know?

Mr. STINNETT. Well; I do not know what proportion they own. In fact, they have always had their holdings so handled that I do not think anybody could know.

Mr. VEEDER. What proportion of the oil mills are owned by the so-called large five packing companies, added together?

Mr. STINNETT. My last information was they owned an oil mill at Aberdeen, one or two at Fort Worth, one at Denison, one at El Dorado, one at Waco, one at Taylor, and one or two at Houston, one at Hern, and places of that kind. I have been in touch with their oil mills that they have had from time to time, and supposedly still control. But the percentage I do not know. They are big mills and they are well located.

Mr. VEEDER. What percentage are owned by the five, assuming that the five own mills in Texas? Would there be a large proportion of the total oil mills of Texas?

Mr. STINNETT. Would it be a large proportion of them?

Mr. VEEDER. Yes.

Mr. STINNETT. It might not be a large proportion of them numerically, but it would be a large proportion of the output.

Mr. VEEDER. Of the crush?

Mr. STINNETT. Yes.

Mr. VEEDER. Did you know that Mr. Colver testified here the other day and stated that the proportion of the crush of seed in Texas by the mills that were owned by the packers was about 7 per cent of the total crush of Texas?

Mr. ANDERSON. That was not of Texas; that was 7 per cent of the total crush of the country.

Mr. VEEDER. Of the United States?

Mr. STINNETT. My impression of the crush in Texas is that they have about 30 per cent; that is the information I have, and I think you will find that in the Federal Trade Commission's report. I am in touch with the packers' oil mills in Texas, and handle a good deal of their products. But there have been some mills which are questionable as to whether or not they are owned by the packers, and it is not always discernible. It was not my business to investigate and ascertain the ownership, because I was merely interested in handling the products.

Mr. VEEDER. In any event, you would not think they owned over 30 per cent?

Mr. STINNETT. That is about my impression, 30 per cent. I only give that in an offhand way, as I said in my statement. I was very clear to say that the idea in Texas was that it was creeping along insidiously, and that they did not want the thing to reach that degree where the great cotton crop of Texas would probably be monopolized by the packers. In other words, "A stitch in time saves nine": that was about the theory of it.

Mr. VEEDER. Do you know whether they have added any mills in the last five years?

Mr. STINNETT. The packers?

Mr. VEEDER. To their ownership?

Mr. STINNETT. No; I do not think they have.

Mr. VEEDER. You do not know whether they are increasing their number?

Mr. STINNETT. There has been some restraining effort, as I said, by the State law to try to stop it.

Mr. VEEDER. How long ago was that?

Mr. STINNETT. I think that was some four or five years ago.

Mr. VEEDER. Do you know whether they have bought any mills since?

Mr. STINNETT. I do not know whether they have or have not.

Mr. VEEDER. So that you do not know whether they are increasing in their mills since that time?

Mr. STINNETT. I could not say, as I said a while ago. I just referred to that, but I know that is the argument that is used, and my information was really that at one time they were eliminated from the oil mills, but I do not know whether that is true; and I have said it would take a statement of the supervising commission to make the people believe it. I really do not know. That information is out. You can get the information from the attorney general's office at Austin, Texas.

Mr. VEEDER. When was the Buyers' and Sellers' Live Stock Association organized?

Mr. STINNETT. I think it was about five years ago. This is 1920, and I think it was about 1915.

Mr. VEEDER. How many members has it?

Mr. STINNETT. I think it has about 80 active members in the city of Amarillo.

Mr. YOUNG. Just another question. Do you believe that the packers ought to be permitted, as a matter of public policy, to invade a productive field like Texas and take over the cottonseed oil mills that simply gin and crush the seed from the farmers' cut?

Mr. STINNETT. No, sir. I think it was regarded at the time as foreshadowing a very grave danger when I learned they had acquired their oil mills, and I told some of the cowmen that man had something to do with making some of the first sales of oil mills to the packers. In fact, I had an old friend by the name of Woodhall—one of my customers—and I heard he had sold some oil mills to the packers, and I heard some of the others up there at Fort Worth had done so, and I thought to myself, "That is a very serious condition of affairs," and I was awfully glad later when they finally took the steps to see if they could not stop it.

Mr. YOUNG. Since we are going into the question of the percentage of output of the packers' mills: Do you believe the question of what percentage they may produce or crush of the cotton seed would cut very much ice as to their manipulation, if they wanted to manipulate the market on their side, or its product? In fact, they have such tremendous power, financially and otherwise, that that would be unfair competition to let a little bunch of farmers who have gotten together their local funds and built these little oil mills in order to crush the seed and who have got to hunt a market for their product?

Mr. STINNETT. That is very easily explained in this way: As you know, the packing house must use a great deal of cottonseed oil that they sell as cooking oil, after frying, and I believe most of them are engaged in frying oil also; and they must use it in beef stearin and other things in making lard compounds. Lard compound is a great proposition in the United States; a great deal of that is sold, and so they have reached out into Texas to establish these oil mills and have finally gone into Arkansas and Louisiana, and, I think, our good friend, the enthusiastic gentleman from Georgia, has them over in his territory at Moultrie, Ga., and all around.

Eventually they would have controlled the cottonseed oil proposition, which, of course, as you know, is limited to the Southern States, including California; and eventually they would have controlled the cottonseed cake, and that would have given them control absolutely of the shortening, lard, and lard compound and cooking oil in the United States and in the world.

Mr. YOUNG. You are going back to the other end, now, on the farm. As a rule, the little local oil men own a gin. The may not own it in the oil men's name, but they own it, just the same?

Mr. STINNETT. Yes.

Mr. YOUNG. So that if they had persisted in this policy of taking over the oil mills, not only would they control all the oil mills, but after driving all those little independent mills out they would have had the power to name the price for the ginning of the farmer's cotton, the farmer would have been absolutely without a market, except the packers' market, for his seed, and that would have left with them the power of controlling the price not only of the ginning but of the seed product itself.

Mr. STINNETT. That is true; and they would have then a part of the machinery that was set up and put into operation, as I might say, to control the food products of the world, especially the United States. And I do not believe in putting that autocratic power in the hands of any company or set of men, and whenever you do, and leave it there, your nation or your country is doomed to decay. It is gone. So I think, as I said a little while ago, that when the discussion of this question—I may be somewhat fanatical about it—but I do say I do not believe there has ever been a question of graver importance before the American people from the days of our colonial organization down to this time, and I think our emancipation should come, and come quickly, and we should turn these things loose for the increased production of the country.

Mr. VEEDER. Do you not think the packers' competition in the purchase of cotton seed has increased the price which has been received by the growers?

Mr. YOUNG. I did not catch that question?

Mr. VEEDER. I asked Mr. Stinnett if the packers' competition in the cotton seed has not increased the price which the grower has received?

Mr. STINNETT. I think the boll weevil has done more than the packers on that.

Mr. VEEDER. To increase the price?

Mr. STINNETT. Yes, sir; to increase the price.

Mr. VEEDER. But do you not think the packers' competition tends to increase the price?

Mr. STINNETT. No, sir; I would not think so.

Mr. VEEDER. Do you think it decreases it?

Mr. STINNETT. I do not think it has reached that degree of influence yet that it has decreased the price, but that is what we were afraid of in Texas. It foreshadowed that result.

Mr. VEEDER. I mean in the past, not in the future, what it might be.

Mr. STINNETT. I do not know that it had any material effect. As far as I am able to learn, the action in Texas is what we called "Nipping it in the bud." I do not believe it had ever reached that point where they could do great harm, but it was apparent, the shadow was creeping up, and it was ominous.

Mr. YOUNG. Mr. Veeder has said that competition of these packers had for that product increased the price from his point of view?

Mr. STINNETT. Yes.

Mr. YOUNG. If the packers had assumed the operation and control of all of these oil mills, there could have been no competition, and therefore the price would have been just as they named?

Mr. STINNETT. They would have had it all in their hands, and, as I said a while ago, I do not believe you could find a mortal living who, as soon as you give him a monopoly, would not abuse it. That is just the way I feel about it, and I love human nature and believe in it.

Mr. VEEDER. That is rather a black picture you speculate for the future. But, as a matter of fact, in the past has the packer competition had any effect upon the cotton seed as received from the growers?

Mr. STINNETT. Has it had any effect?

Mr. VEEDER. Any effect received by the grower of the cotton seed. You say it has not increased the price received by the grower?

Mr. STINNETT. Well, I would not really be a competent witness on that, because you would have to buy seed and be up-elbows against that. What I know mainly is that in Texas we have been worried since the first over the seeming encroachments of the packers getting more plants, and after that came the boll weevil, and the two together have had me confused.

Mr. VEEDER. I presume the volume of purchases by the packers probably then was not sufficient to affect the price?

Mr. STINNETT. The price of cotton seed?

Mr. VEEDER. The price of cotton seed.

Mr. STINNETT. Well, I am sure I don't know. I did hear it charged once that some of the smaller mills here and there—that the competition was pretty aggressive because of the packers having—there seem to have been a disposition—I talked to the attorney general of Texas about that myself—what they were afraid of was that you—now, I will explain some matters for your information which I believe you would like to know—they would bid up the price of seed until that oil mill could not turn around and sell its products; and there are two great products of cotton seed—one oil and the other cake. The hulls form a small portion of the value of the seed. Now, they claim that the oil mill had large facilities, through his agencies in Europe, for exporting cake. A good deal of cake in normal times, and especially in prewar years, was exported to Europe, but none has been exported to speak of since the World War broke out.

Now, say, through those facilities, he had agencies established through Amsterdam and in the Scandinavian countries, and they should get more for the cake than this oil mill, and he could get more for his oil, because he was manufacturing the oil and selling it as a cooking oil and putting it into lard compounds. Now, you could work that process along on that little oil mill, and the first thing you know he would close down, and the first thing you know he is down and out with his investment of $150,000. Those are very expensive plants; and he would go down and out; and you ask him what is the matter, and he would say "packer competition." He might temporarily bid up the seed on him, and then he is put in that attitude at the end of his year he wouldn't have enough to pay clerk hire; and an institution that don't pay must quit. Now, after a while the few institutions of that kind in Texas would not have been multiplied, and it would not have been necessary to multiply them very much to have gotten a monopoly, because they would have had the others out of the way, and they could have enlarged their plants and gone on and had it all. Now, that was the disposition; and I heard the oil mills, a number of them, saying—the attorney general said so, too, and the others that instituted those proceedings and prosecuted those cases—and I believe, if you will permit me, that that is the actuating motive in trying to arrest the aggressive movement of the packers in getting hold of the oil mills of Texas.

Mr. VEEDER. Isn't it a fact that the method of doing the mill business in Texas has changed in the last 10 or 15 years in this way: That formerly where mills used to be built down the road, now they build what they call "terminal mills" at railroad crossings, so that they can go down either road? And isn't that the reason some of these mills were put out of business, because of the terminal mills?

Mr. STINNETT. No; I think a good many of those terminal mills are going to go out of business. They will get back eventually to—they will go out of business if the feeding business is ever revived again, because that is one thing that tended to concentrate the terminal mills, because that stands to all reason, there is no milling in transit rate on cotton seed like there is on wheat, and you have got a milling in transit on wheat, and it don't make any difference where your mill is, you can go ahead and mill the wheat and use your inbound billing to pay the through freight to whatever ultimate destination it may be, but you can't do that on cotton seed. Now, the moment that the feeding stopped, these mills over the State languished and died. It made it possible for a larger number and for bigger terminal owners, but if it ever changes and goes back the other way, the oil mill that is nearest the gin and nearest the cotton field is going to survive. That stands to good reason, good sense, because you save the freight. It would be different if you could mill in transit.

Mr. VEEDER. Isn't it a fact that the change in the feeding situation and the development of the terminal mills has had a good deal to do with the troubles of the smaller mills that we are referring to?

Mr. STINNETT. No; the big mill at the terminal market—I have talked to several in the last two or three years and I have found very few of them made any money at all, and I don't know of any more that are going in. I don't think you will see any more. That is my idea about it.

Now, since we have found the natural gas near Amarillo—and I will take this occasion to say that we have one well running 107,000,000 cubic feet a day—maybe we will get an oil mill in there, because we begin 30 or 40 miles from cotton seed, but we will get an oil mill there when we get the supervision by which we can start the packing houses and have feed lots around Amarillo.

Mr. ANDERSON. Mr. Chairman, Mr. Ames wants to make a little supplementary statement.

ADDITIONAL STATEMENT OF MR. A. L. AMES, OF TRAER, IOWA.

Mr. AMES. Mr. Chairman, I was in hopes that Mr. Wilson would have been present, because he was a member of your committee to whom I wanted to make this particular explanation. He has asked several times—has made inquiries—concerning the price of raising calves in the corn belt. I want to state for the information of your committee and for Mr. Wilson that for a number of years the feeders of Iowa in my section of the State, which is the central part, have arrived at this conclusion, that any time when a calf at a year old can be sold for $100, it doesn't pay to keep a beef herd for the market conditions. In other words, the price of the herd, the rent of the pasture land, the cost of the winter feed, plus the interest on the investment, the risk, and with very little expense for labor, reaches practically $100 for each animal a year old. That takes into consideration the cost of the care for six months from weaning time, the cost of the cow, the expense of maintaining the herd. For that reason we in Iowa, and particularly in the central part of Iowa, do not buy our feeders in our own community but very slightly, and there are no beef herds there. The only cows which we raise, practically speaking, is the small milk herd, which is necessary for maintaining the milk and butter for the living expense of the farm, and the raising of the calf, which is incidental. Now, we naturally have to go somewhere else for our feeders, and we are going to the markets and buying the cattle which are raised on the plains from the West.

For instance, as I said yesterday, my herd of cattle which I am feeding at this time was raised in Hereford, Tex., and I go there because I can get the steers cheaper than I can raise them or buy them raised in my own community. In fact, you can not buy a thousand-pound steer, native bred and born, in Iowa, in any great quantities today, nor have you been able to do so for five years. They are all younger cattle and are the inferior breed and from milking strains largely.

Now, that condition, gentlemen, should not obtain. That is a condition that should not prevail in any country unless we can go outside and buy those steers and put them through the feed yard and maintain a profit, and for the past six months or longer it has been impossible to do that.

I wish to cite you to just one or two instances of purchases and sales made in my immediate neighborhood. Last October there was a drove of cattle of 100 bought by a neighbor, brought in and put on to pasture for two months and fed corn fodder and farm forage with corn in addition until about two weeks ago. Those cattle were placed on the public market and sold at auction and brought not to

exceed $1 a head more than the original cost of steers in Omaha, losing all of the feed and time and expense on the cattle. The same obtains in the cattle that were shipped to the Chicago market. A neighbor of mine bought five carloads of cattle and commenced to feed them immediately at the time he bought them. He fed them corn until last week and shipped two cars to Chicago and got the price per hundredweight that he paid in Omaha. He shipped the balance of them to his farm, which he has recently purchased, expecting to hold those cattle for two months and feed them with the prospect of a bigger loss.

Mr. SYKES. Mr. Ames, what would a yearling steer grown in Tama County bring—that is about the average, when they are a year old?

Mr. AMES. The average price would be from $10 to $12 per hundred weight, and he will weigh, according to the kind of care that he has had, from 750 to 900 pounds.

Mr. SYKES. A steer a year old?

Mr. AMES. A year old, if he is fed properly.

Mr. SYKES. A yearling calf?

Mr. AMES. But now if the calf has been wintered on rough feed, straw, with a little grain, that calf will weight about 550, not to exceed 550 pounds. Of course, a steer just 12 months old to weigh 700 pounds—and when we speak of yearlings we usually estimate the animal as a year older than the calf which Mr. Sykes has reference to. We call those "calves" until they are turned out on the pasture, as a rule. The yearling steer which is bought would be an 18-months' old animal. He is a yearling until he is two years old.

Now, another point which I wish to speak of and which I omitted, is in regard to the exchanges at Chicago and other places. The question was asked whether any one could enter those yards and do business, and I explained that they had to put up a bond for their freight and agree to conform to the regulations of the stockyards and railway conditions. That was all that was necessary. Now, there is no provision in the stockyards' exchange, to my knowledge, except perhaps individual firms may take out some provision for guaranteeing any losses to any shipper which comes to them. For instance, there have been a number of failures on the Chicago Exchange. A neighbor of mine shipped a carload or more—I am sure of one load—of cattle which arrived on the day that the firm was closed. That shipper lost every dollar of the shipment which he made to that particular firm, and there is no recourse. Now, if the rules have been changed, it has been very recently, and it is my judgment that there is no regulation whatever that will give the shipper protection from any loss of this character at the present time in any exchange rules.

I believe that that is all that I wish to say.

Mr. SYKES. What would you suggest along that line, Mr. Ames?

Mr. AMES. I think with proper regulation of these yards it would be very apparent to the commission that some provision should be made whereby the solvency of the concern should be maintained to the effect that if a shipper ships his carload in, he will be protected by a bond sufficient to cover the amount of that shipment. That is done in some instances by individuals.

Mr. SYKES. Voluntarily?

Mr. AMES. Voluntarily.

Mr. SYKES. Mr. Ames, you heard the statement that I made concerning the cost of raising a calf to be a year old the other day. Would you consider that, as a practical farmer and stockman, a conservative statement of the cost of the calf at the time it was a year old—the cost of raising a calf?

Mr. AMES. I think the items which you mentioned, are very low. I don't think you included in that all of the items that ought to be included in estimating the value of the calf or the yearling. There is no estimate made on a great many things, labor or interest on the investment, to any great extent. In other words, you can not raise a calf for marketing purposes in the feed yards or the farms of central Iowa and get him through to a year old in any great quantities for $75 a head. It can't be done. The only way that you can make a profit on that is to have a small enough number so that the waste or slack of the farm can be figured up, and when that is done—and it only requires a few head to accomplish that—then the expense becomes so great that you can not go any further.

Mr. ANDERSON. I would like to call your attention to something which was put in the record the other day, the contract which the commission man makes with the stockyard company provides for a bond of $5,000. That bond runs to the benefit of the stockyards' company and not to the benefit of the shipper.

Mr. AMES. That is the old bond, Mr. Congressman. That is the only bond which the company is compelled to give, and that is with the stockyard company to protect the freight rates. That is all. All of the risk of the business you have to take on good faith with the commission man. If he is honest, and if he don't break up, you are all right; but we have instances in the Chicago yard—and I think in the other ones—where a failure has meant a serious loss to the men who were on the market on the day the establishment was closed.

Mr. ANDERSON. Well, it is evidently a perfectly legitimate thing for a stockyard company to protect itself against any fault on the part of the commission man.

Mr. AMES. Absolutely.

Mr. ANDERSON. But it is absolutely illegitimate for the producer to ask that the Government require the commission man who handles his cattle to place himself in a position to protect the shipper.

Mr. AMES. Well, I don't see that that is very good logic myself. I think that the Government should say——

Mr. ANDERSON (interposing). That seems to be the logic of the gentlemen who object to this sort of legislation.

Mr. AMES. Absolutely; that is absolutely the fact.

Mr. GRAFF. Do you believe, Mr. Ames, that a commission as created by this amended bill, if it became a law, should have power to regulate just such conditions in stockyards?

Mr. AMES. My idea of this commission would be to have it operate exactly the same as a railroad commission does. If the shippers of the country, one or more, see fit to come before this commission and ask the commission for certain regulations, and if after a hearing before this commission they decide that that is a fair and just arrangement, let them make the order and let that order be permanent and effective until set aside by the courts. That is my idea of the commission.

Mr. ANDERSON. Are you through, Mr. Ames?

Mr. AMES. Yes, sir.

The CHAIRMAN. We are very grateful to you, sir.

Mr. SYKES. Mr. Chairman, I just wanted to put into the record, to supplement the testimony of Mr. Stinett concerning the criticism that was offered here of the Interstate Commerce Commission by Mr. Fuller as to the expense of carrying a case through that commission—I wish to say that I disapprove of his criticism as well as the cost that he said it would incur on him to carry this case through.

The Corn Belt Meat Producers' Association has carried at least six cases through the Interstate Commerce Commission in the last 12 years, and I will make the statement right here that I don't think the entire cost has exceeded $10,000 to the association, and I think it is perfectly exorbitant when a man says that it would cost him $25,000 to carry a case through the Interstate Commerce Commission. I also think that the criticism is not deserved in this case.

The CHAIRMAN. Thank you very much, Mr. Sykes.

The committee will now stand in recess until 10 o'clock to-morrow morning.

(Whereupon, at 5.50 o'clock p. m., the committee recessed until 10 o'clock a. m., Saturday, March 6, 1920.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

SATURDAY, MARCH 6, 1920

PART 10

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk.*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Saturday, March 6, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Anderson, are you ready to proceed?

Mr. ANDERSON. Mrs. Costigan, we will be glad to hear you now.

STATEMENT OF MRS. EDWARD P. COSTIGAN, PRESIDENT CONSUMERS' LEAGUE OF THE DISTRICT OF COLUMBIA, ONE OF THE VICE PRESIDENTS OF THE NATIONAL CONSUMERS' LEAGUE, AND ALSO CHAIRMAN OF THE FOOD SUPPLY AND DEMAND COMMITTEE OF THE LEAGUE OF WOMEN VOTERS.

Mrs. COSTIGAN. Mr. Chairman and gentlemen of the committee, I am the president of the Consumers' League of the District of Columbia, one of the vice presidents of the National Consumers' League, and also chairman of the food supply and demand committee of the League of Women Voters.

I have come this morning to report to this committee that the National Consumers' League at its annual convention in November indorsed the particular legislation this committee is considering, and that the League of Women Voters at its national convention held in Chicago last month indorsed the principles and purposes of the Kendrick, Kenyon, and Anderson bills before Congress at this time.

The interest of women in this subject is fundamentally due to their interest in the family, the home, and the present and future of childhood. We believe that if prevailing conditions continue children will not grow up fit for the world, and the world will not be fit for children. Properly nourished bodies are essential for sound minds, and the Nation can not do without either. To-day in the United States millions of boys and girls are underfed. The food supply of the Nation, instead of being properly distributed, is being manipulated by speculators and gamblers for their own selfish profit, and the women of America have become convinced that it is time to organize all their resources behind a protest that will remedy these conditions.

The reports of the children's bureau state that from three to six million children in the United States are underfed and undernourished, and we realize that this situation has come about to a degree because the price of living has kept in advance of the increase in wages. The last statistics that have come from the Labor Department show that since 1913 the price of food has increased 104 per

cent, while union wages have increased only 55 per cent. It is therefore clear why meat is disappearing from the tables of the poor, and, what is more serious, the meat substitutes also. There is less and less of milk, eggs, and butter, the foods absolutely necessary for the children if they are to grow up with healthy bodies. We have been studying this subject to see if we can contribute to the solution of this vital problem.

For 20 years the Consumers' League has been endeavoring to improve the living conditions of working women and children. During the first decade it tried to secure sanitary working conditions. The next 10 years it strove to obtain living wages for working women, and now it realizes the futility of higher wages if the cost of living goes on advancing ahead of them. So the Consumers' League has made it a part of its next 10-year program to assist in solving the food problem, and it expects to go to the foundation of it.

We find widespread undernourishment in our population, and we have sought to determine the reasons for this condition. Our study has been extensive. We have scrutinized the reports of the Federal Trade Commission. Representatives of these two organizations have faithfully attended the hearings of the House and Senate committees and have gone over all the evidence presented. We have come to the conclusion reached by the American National Live Stock Association, the Farmers' National Council, and other interested organizations, that back of wholesalers and retailers, back of inflated currency, and back of the war, with its disastrous loss of producing men, stand speculators, hoarders, and manipulators of food who for private profit, and without thought of public welfare, without scruple, and in utter selfishness, control many of our indispensable food supplies. We find that the control of the Nation's food supplies is in the hands of a few people, who are able to manipulate it to suit themselves, and that they control both the market in which they buy and the market in which they sell. We are convinced that this power ought to be regulated by the Government.

Last fall the League of Women Voters, assisted by the National Consumers' League, sent representatives across the country, who presented this subject to women in the various Western States, and asked them to study it and be prepared to act on pending legislation in their national conventions. There was much interest throughout the country.

In November of this year, when the National Consumers' League had its annual convention in Nashville, the subject was presented there and resolutions were adopted by that convention, as follows:

Whereas malnutrition is now recognized by the medical and teaching professions as an evil of national extent, to overcome which pure, rich milk, butter, and other animal fats are indispensably necessary, we recognize the duty of participating in the effort to assure increased production of these foods: Be it therefore

Resolved, That we reaffirm our approval of the work of the Federal Trade Commission and the Kendrick-Kenyon legislation as means of stimulating increased supplies of animal food, and ask the food committee to give especial attention to this aspect of the American food problem: And also

Resolved, That the council request the State and local leagues to promote the establishment of county and city abbatoirs, markets, and storage warehouses clean, thoroughly equipped, and properly supervised, as means of making these foods more accessible to all parts of the country.

From February 12 to February 18, 1920, the League of Women Voters held its convention in Chicago. There the committee on food supply and demand, which has representatives in most States, met to consider the food problem; to hear the report of the chairman, and to act upon recommendations. Present at that conference were women from Western farms, city women from the East, and representatives of every class in the country. We also had the benefit of the advice of such experts as Mr. Walter L. Fisher, Mr. William B. Colver, and Mrs. Florence Kelly. At the end of the conference the committee adopted resolutions which were presented to the whole convention and adopted by an overwhelming vote. I finish my report by reading these resolutions, which are as follows:

Whereas in addition to the results of inflated currency due to the war, the high cost of living in the United States is increased and the production of necessary food supplies diminished by unduly restrictive private control of the channels of commerce, of markets and other distributing facilities, by large food organizations and combinations, and

Whereas if our civilization is to fulfill its promise, it is vital that nourishing food be brought and kept within the reach of every home, and especially of all growing children of the Nation:

Resolved by the League of Women Voters:

1. That the principles and purposes of the Kenyon-Kendrick-Anderson bills now pending in Congress for the regulation of the meat-packing industry be indorsed for prompt and effective enactment into law; and that this declaration be brought to the attention of the leading political parties, both in advance and at the time of their respective national conventions, with an urgent request for corresponding and unqualified platform pledges.

2. That the food supply and demand committee be authorized to keep in touch with the progress of the proposed legislation and to cooperate with the National Consumers' League, the American Live Stock Association, the Farmers' National Council, and other organizations of like policy, in an effort to promote through legislation the realization of such principles and purposes. Furthermore, that the Committee on Food Supply and Demand be authorized to confer with the Department of Agriculture in regard to the extension of its service, with a view to establishing long-distance information to enable shippers and producers to know daily the supplies and demands of the food market.

3. That the early enactment of improved State and Federal laws to prevent food profiteering, waste and improper hoarding is urged, and the strict enforcement of all such present laws is demanded.

4. That the various State Leagues of Women Voters are requested to consider the advisability of establishing public markets, abattoirs, milk depots, and other terminal facilities.

5. That aid be extended to all branches of the League of Women Voters in spreading knowledge of the methods and benefits of legitimate cooperative associations, and that indorsement be given to suitable National and State legislation favoring their organization and use.

Mr. TINCHER. You mentioned the fact that there has been an alliance of the Consumers' League with the women-voters' league. The League of Women Voters is an organization which is really the successor to the Suffrage League. I think your alliance is commendable. I think there is a chance always for more action where you have votes than there is where you do not. You have mentioned the fact that in order to feed these children that they may grow up in a healthy condition that they should have either meat or sugar?

Mrs. COSTIGAN. There must be more than sugar. There must be some animal products, I think—animal fats.

Mr. TINCHER. The present situation is really discouraging with regard to meat and sugar?

Mr. ANDERSON. I gathered from what you said that your committee is of the opinion that the extension of the control of the packers over butter, cheese, eggs, and poultry would not tend to stimulate a greater supply of those products which are necessary for the growth and development of children?

Mrs. COSTIGAN. We regret very much to see that control extended over those products.

Mr. VOIGT. May I ask you a question?

Mrs. COSTIGAN. Certainly.

Mr. VOIGT. Your organization does not think it is a good thing for the packers to control cheese, butter, eggs, etc.?

Mrs. COSTIGAN. We believe that control shou ł be regulated.

Mr. VOIGT. Just what do you mean by that?

Mrs. COSTIGAN. I may go further and say that we indorse the original Kenyon-Anderson bill, which contemplates the separation of the packers from the unrelated food products.

Mr. VOIGT. I just wanted to get your personal viewpoint. You think now that they should be stopped from handling any of those food products entirely?

Mrs. COSTIGAN. It is hard to answer that question. It does seem that there would be a better chance for the law of supply and demand to work if the control of those products is more or less eliminated.

Mr. VOIGT. I do not know that I get your meaning yet. Do you think it would be for the best interests of the people of this country to prohibit these great packing organizations from handling cheese, butter, eggs, and poultry?

Mrs. COSTIGAN. I do not care to state it that way; but I do say that if those organizations handle them, there should be governmental regulation so we may know how they are being handled and all the facts in the case.

Mr. VOIGT. You favor putting them in such a position that they would have absolutely no advantage over anyone else engaged in the same line of business?

Mrs. COSTIGAN. Yes, Mr. Voigt.

Mr. VOIGT. And have an absolutely open and free market in those commodities?

Mrs. COSTIGAN. Yes; that is our position.

Mr. WILSON. Mrs. Costigan, may I ask you one question?

Mrs. COSTIGAN. Certainly.

Mr. WILSON. What have you found in your investigations about the high prices of sugar and flour? You have not touched upon those commodities while I have been here and I wondered if you said anything about them before I arrived.

Mrs. COSTIGAN. We have not made particular studies along those lines, but we have discovered some things. For instance, in the case of sugar there was one reported consignment that passed through the hands of 12 different middlemen and each man reaped a profit considered not more than a reasonable profit, but when all the reasonable profits of those middlemen were added made a very excessive profit for the consumer to pay. In fact, the sugar had not been manufactured; the sugar cane was still growing in Louisiana, they said. In Chicago recently I was told that in one case there had been something like 20 middlemen.

Mr. WILSON. I have heard of that. I wondered if you did not think a law could be passed that would stop that, to do away with some of the middlemen, that would be a good thing for the public?

Mrs. COSTIGAN. Our resolutions contemplate that in regard to co-operative associations.

Mr. WILSON. For cooperative associations I do not believe legislation necessary.

Mrs. COSTIGAN. Do you not think you will have an opportunity to assist in enacting protective legislation for cooperatives?

Mr. WILSON. I think we have the legislation now on the books to provide for that if the organizations themselves want to go into it. I do not think that they need any legislation along that line. I was wondering if you could touch on flour and sugar, because they are just as important possibly as any of the other food products. I do not know what you ladies have found out. What has been your investigation as to flour?

Mr. COSTIGAN. We have not gone into that deeply yet. Of course, we know something about the effect of the stock exchange on prices.

Mr. WILSON. The whole system is wrong?

Mrs. COSTIGAN. Gambling in foodstuffs is wrong; it is not for the welfare of the Nation that foodstuffs should be made the pawns in a gambling game.

Mr. WILSON. You find that all foodstuffs are subject to gambling?

Mrs. COSTIGAN. I should hardly have the presumption to say that all foodstuffs are.

Mr. WILSON. Which ones are not?

Mrs. COSTIGAN. What we have studied seem to be in that class.

Mr. WILSON. I wondered if that was not true. There are lots of people that should be regulated along this food products line?

Mrs. COSTIGAN. Yes, Mr. Wilson.

Mr. WILSON. To the advantage of the consumer?

Mrs. COSTIGAN. Yes; we believe so. It seems at present that everyone it getting an advantage except the consumer.

Mr. WILSON. And they are the ones who "pay the freight?"

Mrs. COSTIGAN. Yes; they do.

Mr. WILSON. That has been my observation.

Mrs. COSTIGAN. Yes, Mr. Wilson.

Mr. WILSON. My wife's experience and my observation.

The CHAIRMAN. Is there any evidence to show that it has been done for the purpose of evading the law in exacting profits?

Mrs. COSTIGAN. I can only answer that if each man confines himself to what is a reasonable profit the law does not seem able to interfere.

The CHAIRMAN. The profits have been exacted by different persons to the transaction?

Mrs. COSTIGAN. That seems to be the case.

The CHAIRMAN. For the purpose of evading the law?

Mrs. COSTIGAN. I do not know. Of course, I have not gone into the technicalities of the situation.

Mr. WILSON. Your investigation of this sugar profiteering was down in Louisiana?

Mrs. COSTIGAN. That particular case concerned a reported consignment of sugar. When it came to finding out where it was, it was found still growing.

Mr. WILSON. It was in Louisiana?

Mrs. COSTIGAN. So I understand.

Mr. WILSON. Have you in mind the details of that transaction?

Mrs. COSTIGAN. No; I have not.

Mr. WILSON. Is there any of the ladies here who has?

Miss HAVER. I think not, Congressman. That was one of the stories that came out during last summer.

Mr. WILSON. It was so reported?

Miss HAVER. Yes, sir. The original source was the Department of Justice.

Mrs. COSTIGAN. It was used by the Federal Trade Commission; it came from the Department of Justice.

Mr. WILSON. I did not know whether you folks had given it some special attention and I wondered just what it was.

Mrs. COSTIGAN. No.

Mr. RAINEY. May I ask you a question?

Mrs. COSTIGAN. Certainly.

Mr. RAINEY. Do the members of your organization pay dues?

Mrs. COSTIGAN. They do, Mr. Rainey.

Mr. RAINEY. Are contributions made to your organization?

Mrs. COSTIGAN. They are.

Mr. RAINEY. Any large contributors?

Mrs. COSTIGAN. Which organization are you speaking of?

Mr. RAINEY. The National Consumers' League, which is the only organization that I have heard mentioned since I came in.

Mrs. COSTIGAN. There are two organizations, the Consumers' League and the League of Women Voters.

Mr. RAINEY. Does the National Consumers' League receive contributions from outsiders?

Mrs. COSTIGAN. Yes, Mr. Rainey.

Mr. RAINEY. Do you have some large contributors?

Mrs. COSTIGAN. I refer that question to Miss Haver, who is the legislative agent of the National Consumers' League, because I am not familiar with the contributions which are made.

Miss HAVER. The National Consumers' League and the other organization also receive contributions, but mostly through their members, I believe.

Mr. RAINEY. No large contributions?

Mrs. COSTIGAN. Can you answer, Mrs. Gardener?

Mrs. GARDENER. The League of Women Voters is only a month old. You see, the National League of Women Voters is the successor of the National American Suffrage Association. They have been over 50 years gaining suffrage and we are gaining it for a purpose, not simply to have suffrage. The National Women's Suffrage Association resolved itself into the National League of Women Voters and now it is starting on its career to see if it can help in all such things as this as voting women all over the country, with its organization already intact, having had 50-odd years of experience.

Mr. RAINEY. But you did not answer the question.

Mrs. GARDENER. They have not had many.

Mr. RAINEY. I thank you.

You spoke of monopolies in the food supplies of the country: was that conclusion reached as a result of studying the report of the Federal Trade Commission?

Mrs. COSTIGAN. That conclusion was reached from that and many other sources.

Miss HAVER. Miss Smith, representing the National Women's Trade Union League, is here, and we should like to have you hear her.

Mr. ANDERSON. We shall be glad to hear Miss Smith.

The CHAIRMAN. Thank you very much, Mrs. Costigan.

STATEMENT OF MISS ETHEL M. SMITH, REPRESENTING THE NATIONAL WOMEN'S TRADE UNION LEAGUE.

Miss SMITH. Mr. Chairman and gentlemen of the committee, our organization is an organization primarily of working women, including in it also women who are in sympathy with our purposes and who stand upon our platform.

We are not experts in this subject, but we are interested and concerned with the purpose of the legislation before this committee, and I have come here to call your attention to a resolution, copies of which, I think, are already in the possession of the committee, having been forwarded at the time it was adopted last summer, in June, at the biennial convention of the National Women's Trade Union League, held in Philadelphia. I will read the resolution, if I may.

Mr. ANDERSON. Proceed, please.

Miss SMITH (reading):

Whereas the National Women's Trade Union League, in convention assembled, has read some of the revelations recently made before two committees of Congress on the menace of the control of food interests of this country; and

Whereas this menace is of great importance to the future welfare of this country since increasing masses of people are unable by honest toil to live in health and comfort; be it

Resolved, that the National Women's Trade Union League support the Federal Trade Commission in its efforts to secure remedial legislation on the meat-packing industry.

As to the next paragraph, I call your attention to the fact that this resolution was adopted before the recent development in the situation and is, perhaps, a little out of date at the moment, but shows the purpose:

That the National Women's Trade Union League calls the attention of Congress to the extension of the control of the great meat packers over the preparation and sale of unrelated food products, which has proceeded so rapidly in recent years that the absolute control of the food of the Nation is passing into the hands of the five packers, while the legitimate manufacturers and distributors of food products other than meat are in danger of destruction.

Then there is the last clause:

That copies of this resolution be sent to all the members of the House and Senate Interstate and Foreign Commerce and Agricultural Committees.

I think that is all I have to say. We simply want to register the attitude of our organization and our hope that some legislation which represents the principles involved in these bills will be enacted.

Mr. TINCHER. Have you anything else?

Miss SMITH. No, sir.

The CHAIRMAN. We are very grateful to you, Miss Smith.

STATEMENT OF MR. E. C. LASATER, FALFURRIAS, TEX.—Resumed.

Mr. ANDERSON. We will hear Mr. Lasater.

Mr. LASATER. Mr. Chairman and gentlemen of the committee, I would like to have inserted on page 977 of the stenographer's transcript, where this statement is made: "This is found in the hearings on Senate Resolution No. 221, from pages 75 to 82." I would like to call the attention of the committee especially to page 80 and also to page 82. That is a quotation from my statement when I was on the stand.

I would like to follow, at the point above mentioned, with these references:

Pages 31 and 32, of a hearing before the committee of conference of the Committees on Agriculture and Forestry on food production act, etc., H. R. 11945—September 16 and 17, 1918.

If you will recall, I was requested to simply insert reference here to certain data that I wish to call the attention of the committee to it.

Also, to pages 117 to 138, of same, both inclusive.

Also, pages 1441, 1442, 1443, and 1444 of a hearing last February before the Interstate and Foreign Commerce Committee.

Also, I would like to insert here a brief comment made by me to which wide publicity was given, on the statistics handed out by the Food Administration on the world's supply of live stock, August, 1917, in Food Administration Bulletin No. 10:

Market Committee: H. A. Jastro, chairman, Bakersfield, Calif.; E. L. Burke, vice chairman, Omaha, Nebr.; Joseph M. Carey, Cheyenne, Wyo.; Dwight B Heard, Phoenix, Ariz.; E. C. Lasater, Falfurrias, Tex.; W. R. Stubbs, Lawrencee, Kans.; H. C. Wallace, Des Moines, Iowa.

Walter L. Fisher, attorney, Chicago, Ill.; T. W. Tomlinson, secretary and treasurer.

[Washington office of Market Committee of American National Live Stock Association 918 Evans Building, 1420 New York Avenue.]

WASHINGTON, D. C., *March 7, 1918.*

1. His statistics made public in Food Administration Bulletin No. 10 and other Food Administration issues to the public purporting to show the condition of live stock supplies for the Allies, Central Powers and neutrals were grossly wrong in the following particulars:

Mr. Hoover's statistics show a shortage of cattle, hogs and sheep aggregating 115,005,000. Crop Bulletin of February, 1918, of United States Department of Agriculture shows an increase of the Allies and neutral countries in cattle hogs, and sheep of 8,848,000 or an increase practically of 2½ per cent since the commencement of war. There are no statistics available for the Central Powers since the war commenced.

Bulletin No. 721 of the Department of Agriculture shows that the prewar aggregate number of cattle, swine, and sheep of the Central Powers to have been 134,937,000 head. The Central Powers have been less devastated by contending armies than have the Allies. The reasonable thing to expect is that their live stock production has been affected no more disadvantageously than has that of the Allies and neutrals. But estimating that the Central Powers have decreased their live stock 20 per cent since the war started that would amount to only a shortage of live stock that enter into the European and American meat supply of 26,987,400 head, which still leaves a shortage to find of 96,865,600 according to Mr. Hoover's estimate.

Russia has not been taken into consideration in the above estimate, because it does not appear that the figures obtainable are reasonably correct, these secured by the Government from the best sources available. The increase shown for Russia in monthly crop report of February, 1918, of the United States Department of Agriculture are 35,064,000 cattle, swine, and sheep, or an increase of 47 per cent since the war commenced; adding this increase to the total as

ply available for European and American markets we have an increase of 131,929,600 above the estimates furnished the country by Mr. Hoover. Mr. Hoover could not have had any basis of fact for his statistics given to the public as above outlined. The object of such misinformation was to persuade the producers of the United States of America to increase their supplies of live stock by emphasizing the economic strength of the position of live stock.

I should like to put into the record—I think it is pertinent to the testimony that has been heard by the committee since I was on the stand—a letter dated Chicago, November 28, 1916. I will state that this letter was read into the hearings of the Federal Trade Commission here in Washington, page 2166.

Mr. TINCHER. Who wrote the letter?

Mr. LASATER. It is signed by L. F. Swift. The letter is as follows:

CHICAGO, *November 28, 1916.*

Mr. THOS. E. WILSON,
Wilson & Co., Forty-first Street and Ashland Avenue,
Chicago, Ill.

DEAR SIR: Mr. de Ricqles will arrive in Chicago Sunday at 2.30 p. m., and probably reach the Blackstone about 2.45, and I was figuring on meeting him at about that time without making a previous appointment, because, if I made a previous appointment, he will probably arrange to have other people there, and I think it is advisable to speak to him alone, at the first meeting.

Could you advise me if you could be reached by telephone at 3 o'clock, Sunday afternoon as I would like to telephone you to come to a meeting with Mr. de Ricqles at the Blackstone at 3.30 or 4 o'clock, or possibly 5 o'clock if I can make this arrangement with him? I hope that you can do this.

If we miss him Sunday on this plan, I intend to try the same thing for 8.30 or 9 o'clock Monday morning. Will you be able to attend this "Monday morning" meeting if we miss out on Sunday?

Awaiting your reply,

Yours, respectfully,

L. F. SWIFT.

Mr. TINCHER. What is the date of that letter?

Mr. LASATER. November 28, 1916.

Mr. TINCHER. What Mr. de Ricqles is that?

Mr. LASATER. That is Mr. de Ricqles, of Denver, Colo. He was the first secretary of the market committee of the American National Live Stock Association.

I should like to follow that with a letter under date of May 25, 1917, as follows:

MAY 25, 1917.

A. E. DE RICQLES, ESQ.,
American Live Stock & Loan Co.,
Denver, Colo.

MY DEAR MR. DE RICQLES: Your letter of the 19th instant, addressed to Mr. Dunham, has been received.

Mr. Dunham is absent in California and will not return until probably the first of the month. I, of course, knew nothing about the understanding you had with the Hibernian, but went down and talked with Mr. Lewis who told me that according to his understanding there was no specific amount upon. I also took the matter up with Mr. Dunham by wire, informing him of his understanding of it, and am this morning in receipt of his answer which is to the effect that although he was not present at your conference with Mr. Clark his impression (had at the time of his introducing [illegible] they would take $100,000 of your paper. Mr. Dunham also requested me to ask the Hibernian to strain a point [illegible] to this.

I accordingly have just talked [illegible] conversation Mr. Lewis showed [illegible] in which I state you will [illegible] tired [illegible] to you. [illegible] your paper

I regret the delay in acknowledging your letter to Mr. Dunham, but I did not wish to write you until I got in touch with him and had some idea as to what his understanding of the matter was.

Yours, very sincerely,

G. S. BAILEY.

I am not familiar with Mr. Bailey, but I think he is a Swift employee. This was read into the record at the Chicago hearing.

Mr. TINCHER. What letterhead is it on?

Mr. LASATER. This copy was handed to me by the Federal Trade Commission. It does not give any letterhead, but it was read into the hearing at Chicago.

Mr. WILSON. How did that letter come into the possession of the Federal Trade Commission?

Mr. LASATER. When the Federal Trade Commission was making their investigation they got a great deal of correspondence between the packers and others and among the letters in the correspondence was this letter which was read into the hearings at Chicago.

Mr. WILSON. And they gave it to you to answer?

Mr. LASATER. No. They read it into the hearing at Chicago. I was asked for the letter, but I did not have the letter with me.

Mr. TINCHER. What is the name of this man from Denver?

Mr. LASATER. Mr. de Ricqles.

Mr. TINCHER. He was formerly associated with the producers?

Mr. LASATER. He started out with us when we proposed to get first-aid investigation by a Federal agency, and then legislation such as might be shown to be needed.

Mr. TINCHER. He is with the others now?

Mr. LASATER. Then he changed front on us. These letters, to some extent, will explain the reason.

The CHAIRMAN. What is his occupation?

Mr. LASATER. He is a large handler of cattle as well as the president of the Cattle Loan Co.

Mr. WILSON. Is this the first time those letters have been introduced in evidence?

Mr. LASATER. They were read at the public hearings in Chicago, but I do not recall of them having been introduced before any committee of Congress, though they may have been.

I will only take a minute to read one other letter.

Mr. WILSON. At your request the Federal Trade Commission furnished you with those letters?

Mr. LASATER. This matter came up when I was on the stand, and I did not have the correspondence, but I said that I would ask the Federal Trade Commission to furnish me with it and I would read it into the record, and I am simply complying with that request.

There is just one other letter which I should like to read into the record.

Mr. WILSON. What is the date of that letter?

Mr. LASATER. November 24, 1917. The letter is as follows:

NOVEMBER 24, 1917.

Mr. SAMUEL MCROBERTS,
National City Bank, New York City.

MY DEAR MR. MCROBERTS: This will introduce to you Mr. de Ricqles of Denver, whom I understand the National City Bank knows. Mr. de Ricqles is a good friend of mine, and while he is visiting New York he can exp[illegible]

to you about his business, and if possible he would like to open some connection with your bank; and I think if you can see your way clear to do so, it would be also to the interest of your bank. Mr. de Ricqles is a fine man in every way, and you can rely absolutely upon anything he may tell you.

Very truly, yours,

J. O. ARMOUR.

This last letter, gentlemen, is dated November 24, 1917. The first letter I read was dated Chicago, November 28, 1916.

Now, you have had presented before you by Mr. Lyman and also by myself information about a certain convention that took place in November, 1916. While attending that convention—and I also read into your record here the minutes of a certain joint meeting between packers and producers that took place on December 7, 1916.

I think it was three days previous to that, which would be on the 4th of December, 1916, Mr. Burke and myself, who were at that time attending this convention in Chicago that has been mentioned, were asked by Mr. de Ricqles to meet with him and the packers at the Blackistone Hotel, he stating that he had made the arrangements. Now, we already had the engagement to meet on the 7th. That had been planned for some time. I can give no reason for this meeting that was to take place on the 4th, and did take place on the 4th. There was no apparent reason for the meeting, none at that time, but Mr. Burke and myself met with Mr. de Ricqles and all the packers; that is, there were Mr. Armour, Swift & Co., several representatives, Wilson, Cudahy, and Morris represented.

We had had several meetings this same year with this same bunch of packers. There was nothing new introduced at all, but the statement of Mr. Armour, who was their chief spokesman, was that they realized their mistake in permitting the producer to get in hostile camps to them and they wanted now for us to come to them and state our grievances and settle them; that they believed in cooperation and would, as far as possible, make it to our interest to cooperate direct with them.

I stated, in effect, answering for Mr. Burke and myself, that if some change could not be brought about in the situation, that I would be perfectly willing to turn my holdings over to anybody that would pay my indebtedness; that I did not care to pass down to my sons a business where they could not themselves, in any way, be assured of returns, regardless of how efficiently it might be managed; that I belonged to that element of the live-stock growers that had started out to get an investigation and to get legislative action, and that I intended to continue to work for that end.

Now, at this meeting we were probably three hours listening to the packers discussing advantages of doing business direct with them. Nothing was mentioned that justified the meetings. Adjournment was taken until December 7, and the result of the December 7 meeting is now in your record.

The packers joined us in an agreement to come to Congress asking for the investigation and an appropriation to carry out the investigation, agreeing to withdraw all opposition. That agreement was not complied with.

Now, you had a Mr. Fuller before you, and I want to read this letter, because I think it is directly applicable to conditions that he related and also has——

Mr. VOIGT. Before you leave that subject, Mr. Lasater, may I ask you a question?

Mr. LASATER. I will just say this, Mr. Voigt, I am going to make just a very short statement and I would be glad to answer all the questions, but I stated to Mr. Anderson that I would not occupy over 30 or 40 minutes, and if you will permit me, I would like to finish my statement.

If you recall, I stated that the charge of the Federal Trade Commission that the packers did exercise influence over legislative and administrative bodies through improper methods were true, and I desire to read these letters into the record, both as applying to Mr. Fullers' testimony and to that assertion made by myself.

This letter is dated Chicago, Ill., July 9, 1917, addressed to Mr. W. B. Traynor. I will state that Mr. Traynor is confidential secretary to Mr. Louis Swift:

Mr. Edward Chambers, vice president, in charge of traffic, Santa Fe system, informed me confidentially Saturday afternoon that he had, through Mr. Ripley, been called to Washington to serve with Mr. Hoover as an associate in direct charge of the transportation end of the food conservation program.

Mr. Chambers will undertake to bring about complete cooperation and harmony among the railroads of the United States in the execution of such plans affecting their interests as may be promulgated from time to time by Mr. Hoover and his advisers.

Mr. Chambers said that in his new duties he thinks that he will, from time to time, be brought in contact with our interests, and in that connection that we may depend upon him to the limit as our friend.

It is the purpose of Mr. Chambers to return to Chicago about once a month for a day or so to keep nominally in touch with the affairs of his department of the Santa Fe, but so far as he knew his duties with Mr. Hoover will keep him on the job in Washington throughout the period of the war.

Mr. Chambers in this capacity will be one of the most powerful railroad men in the United States, and it is peculiarly gratifying to say that he is probably the best friend I have among my friends.

Mr. Chambers was recommended to Mr. Hoover unanimously by the American Railway Association, the Interstate Commerce Commission, and many leading interests of the country.

Mr. Chambers left Chicago July 6 for Washington to assume his new duties.

F. S. B.

That is F. S. Brooks, employee of Swift & Co.

Now, one more short letter or rather a telegram.

Mr. TINCHER. You are reading that letter in connection with an independent packer's testimony who testified there was a discriminating rate against him that had caused a loss in his business?

Mr. LASATER. Yes, sir.

Mr. TINCHER. And that discriminating rate also had a tendency to raise the cost of living without doing the producer any good.

Mr. LASATER. Yes, sir; absolutely, and also in connection with the charge I made that they did control various Government agencies through devious and improper methods.

Now, permit me to read this telegram, because it is very pertinent right here:

WASHINGTON, D. C., *August 15, 1917—6.08 p. m.*

SWIFT & Co.,
Union Stock Yards, Chicago, Ill.:

I will appreciate very much your contributing the services of your Mr. F. S. Brooks to the United States Food Administration to assist Mr. Chambers in handling transportation matters. Mr. Brooks is very highly recommended, and this request is made for patriotic reasons. Would like him to report here Monday next.

HERBERT HOOVER.

Mr. VOIGT. That is like a great many other requests that have been made—for patriotic reasons.

Mr. LASATER. Yes, sir; there were many requests made for patriotic reasons, and that was given as the reason.

Mr. VOIGT. That is what I mean to say.

Mr. LASATER. Yes; that was given as the reason.

Now, gentlemen, I would like to discuss just a few minutes the matter of financing the producers. The most feasible way to reduce the cost of living is to reduce the cost of production.

On a basis of prewar conditions, 50 per cent of the total cost of production for grain and live stock was interest charges. This is assuming that the producers are paying 8 per cent interest. The Government places the interest paid at slightly above that amount.

In this country the people get for their savings about 3 per cent. These same savings, when they get into actual use, producing the raw materials and foodstuffs for the nation, are paid for by the farmer 8 per cent.

Our country is the only Nation among those supposedly civilized where the interest rates are higher to the producers of raw materials and foodstuffs than those charged to the mercantile and manufacturing pursuits.

In the prewar days the difference between the Bank of France rate and that charged to the peasant engaged in argriculture was usually about one-half of 1 per cent, and never more than 1 per cent. With us, the difference between the commercial rates and credit to the farmer is usually 3 to 5 per cent. The farmers of the country would be in a stronger position if the Government—that is, the whole people—should say to us that we will furnish you credit at 4 per cent, and all the savings that this enables you to make on production will be taken over by the Government for national purposes. This would cut cost of production of food grains and live stock 25 per cent. That can easily be demonstrated by statistics held by the Department of Agriculture.

The statement submitted by me on the conduct of my affairs the last nine years shows that while I paid the bankers and mortgage companies 8 per cent for money used, there remained to me, after paying this charge on my 60 per cent equity in my holdings, only a return of about 2.8 per cent. A 50–50 divide between banker and producer would have meant about 5 per cent each.

It can not be to the interest of the Nation to force upon those engaged in the production of foodstuffs and raw materials essential for the food supply and employment of manufacturers of the Nation a less return on capital invested than the banking rates of their respective communities. Such a policy means the elimination of all initiative. You can never encourage the making of farm homes when money can only be made out of the farm by selling it. Ownership of farms by those who till them are essential to national well-being. Would remind you that about 50 per cent of American farms are worked by tenants, while only about 14 per cent of the German farms are worked by tenants or hired help, and the percentage in France is not very different from that of Germany.

Back in 1856 Chile, a little country on the western coast of South America, was having great difficulty in financing its farmers and

ranchmen at a reasonable rate of interest, so they undertook to improve the situation by creating what they designated as the Agricultural Bank of Chile. Their mode of operation was this: They created the machinery for valuing the farms and ranches of Chile; when a farmer desired a loan their holdings were appraised and a given amount of bonds issued against them, the Bank of Agriculture indorsing these bonds. They also created the machinery for handling these bonds in France. There was no local capital in Chile at this time that could be used for this business. They undertook to furnish the farmers with credit at the rate of 8 per cent. In 1912 this rate had been reduced to 5 per cent—3 per cent less than this, one of the richest countries of the world, accords credit to their farmers. Up to this time—1912—there had never been a default of interest on any of these bonds indorsed and supervised by the Agricultural Bank of Chile.

What Chile did in 1856 could easily be done by this country in 1920.

The mode of supplying credit to the peasant farmer of France is somewhat different. They also have organized a bank of agriculture, which works about this way: A community organization, which we will term a local bank, say, is composed of 20 farmers. One John Smith desires a loan of $100 for a given purpose. It is passed upon by the directors of this local bank, and if approved he executes his note in favor of the local bank. If the local bank has the money in hand, the note stops there. If the local has not the money in hand, the local indorses the note of John Smith and it is sent to the regional bank of agriculture—thus becoming two-name paper. If the regional bank has the funds, the note stops there, and the money is remitted to the local, and in the event that the regional has not the funds it indorses the John Smith note. This makes it three-name paper. It is sent to the Bank of France for discount and it is discounted. The spread between what the peasant pays and what the Bank of France charges was never more than 1 per cent, and rarely more than one-half of 1 per cent.

When the Aldrich commission was investigating the banking systems of Europe in one of their reports a summary of the workings of the Bank of Agriculture was being made to this commission by one of the officials of the Bank of Agriculture. Mr. Aldrich asked the question if he considered that safe banking. The reply of the official was that the Bank of France had never lost a dollar on paper so handled.

Both of these methods could be enacted into law and used to advantage by the producers of live stock and all foodstuffs, thereby greatly reducing the cost of production and freeing the producers from agencies that are now preying upon them. This would inure to our national welfare.

Now, gentlemen, just a moment more. In October of last year there was held in New Orleans what was known as the world cotton conference. It was composed of delegates from all over Europe and from the East and South, including every interest connected with cotton and cotton manufacture the world over. They were organized in 10 different groups. I was one of the delegates and a member of the farmers' group. I will state that I was made

executive committeeman for the farmers' group of the world cotton conference. Its next meeting will be held in England in the summer of 1921.

This resolution was passed by the farmers' group. I read it to show you that this matter of better financing the producer is now a live question the country over with every group of country producers:

Resolved, by the producers' group of the world cotton conference, that we recommend to the National Congress that the Federal reserve act and other laws pertaining to banks be so changed as to permit any member bank of the Federal Reserve System to rediscount with the Federal reserve banks notes secured by warehouse receipts on staple farm products—

Now, as that resolution was passed by this bunch of farmers at the cotton conference, instead of "staple farm products" the word "cotton" is used. There is no other change made in the resolution—

stored in warehouses, complying with the United States warehouse act of August, 1916, or other warehouse receipts, guaranteeing adequate protection. Th Federal Reserve Board to be authorized to from time to time fix the percent of the loan and other requirements in connection with the same.

Loans so secured shall not be considered in estimating the rediscount privilege to which such member bank is entitled.

I will state that ex-Congressman Lever did attend and address this convention, and in discussing this resolution he stated that if that was enacted into law it would tie the warehouse act passed, I think, in 1916, by Congress, and the Federal Reserve System together. It would give the farmers a chance to get on short-time paper the advantage of Federal reserve rates. That can be done without any violence to safe banking. It has been thoroughly demonstrated that there is no collateral that is as safe from a banking standpoint as products enroute for consumption. It beats mortgages, bonds, or anything else. I will state that in every panic this country has ever had that was abundantly proven; where it was a product en route to consumption it could meet and did meet its obligations.

I thank you, gentlemen.

The CHAIRMAN. Mr. Lasater, the warehouse act to which you refer has been amended so that it is of little practical value on the statute books as it now reads.

Mr. LASATER. I was not aware of that, Mr. Chairman.

The CHAIRMAN. Yes; it has been amended.

Mr. LASATER. And Mr. Lever did not seem to be aware of it, because he thought it was still in effect as passed.

The CHAIRMAN. At what time was this meeting held?

Mr. LASATER. In October, 1919.

The CHAIRMAN. It was amended by the Agriculture bill for 1920.

Mr. LASATER. Yes.

The CHAIRMAN. Mr. Lasater, to what extent do the packers engage as producers in the live-stock business?

Mr. LASATER. Many years back, sir, they were engaged to a considerable extent in ranching, and as Mr. Morris stated at one time, they fed a large amount of cattle, but gradually they took their profits out of the land. They bought these lands when they were cheap, and they took their profits out of the lands as prices advanced

and as the margins between production and what the markets afforded narrowed they quit the ranching and producing business. I do not know that any of them are ranching now.

Mr. BORDERS. Mr. Lasater, the Morris cattle were fed at the distilleries in Kentucky and in Peoria, were they not?

Mr. LASATER. The ones he spoke of here; but as he stated in his testimony, they fed largely on corn, and unless I am very much mistaken Mr. Morris at one time owned quite a large ranch in western Texas. I think you will find that is a fact, Mr. Borders.

Mr. BORDERS. That is the Midland ranch. When Nelson Morris was feeding 60,000 head of cattle the great majority of them were fed in Kentucky and at Peoria, were they not?

Mr. LASATER. I think that is a fact. He largely used the distillery slops.

The CHAIRMAN. Is it not a fact that the packers carried on quite an extensive educational campaign in the live-stock business some years ago? It was reported at that time that they owned a considerable number of cattle and ranches. Was there any truth in that?

Mr. BORDERS. Well, Mr. Nelson Morris, in his lifetime, was the largest feeder in the world. He had a ranch at Midland and he had cattle on that ranch. They have a ranch in Mexico, but, of course, it is of no value now; that is, for purposes of cattle.

The CHAIRMAN. Then they are not engaged, either of them, extensively in the business?

Mr. BORDERS. Oh, he was at one time the largest feeder in the world and was very successful and made money feeding cattle. Now, Mr. Lasater——

Mr. LASATER (interposing). One moment; right here, I would like for it to go into the record that at the time Mr. Nelson Morris was engaged in feeding there was a large export trade in cattle. He was also a large exporter of cattle. That was before the group of Chicago packers had the grip on the slaughter of cattle that they have now.

Mr. BORDERS. Mr. Lasater, you do not mean to say that the cattle that Mr. Nelson Morris prepared for the market were exported?

Mr. LASATER. A great many cattle during those years were exported.

Mr. BORDERS. After they were prepared for the market?

Mr. LASATER. Yes, sir; a great many cattle were exported: fat cattle were exported. Go back 20 years and we had quite a large export of fat cattle or live cattle.

Mr. BORDERS. Do you not know that practically all the cattle Nelson Morris fed were sold on the market?

Mr. LASATER. No; I do not know that to be a fact, and I think the statement I make that when Mr. Morris first went into this cattle-feeding business there was a large export trade on live cattle with Europe, or with England, in fact. I think the records will bear that statement out.

The CHAIRMAN. Are we to understand then that at the present time they are not extensively engaged in the business of ranching?

Mr. LASATER. To my knowledge I do not know of them being engaged in cattle production of any consequence. Of course, Mr. Borders has more information on that than I have. They are not in my section of the country.

The CHAIRMAN. I ask because that question frequently comes up.

Mr. BORDERS. Mr. Lasater, there was some testimony here this morning from the consumers. Is not this a fundamental fact with regard to meat, that the consumer can not have cheap meat if the packer pays a high price to the producer for the live animal?

Mr. LASATER. Of course, if the packer stays in the business, he has got to be allowed a profit commensurate with the work he does, or the service he renders, but here is the point, from my standpoint, that the consumers want to understand. The present concentration of cattle slaughtered is not economical. We have a waste of from three to five dollars a head that does not appear on the packers' accounts, but it is real because the producers lose it.

Mr. BORDERS. In what way?

Mr. LASATER. In shrink, bruises, by these long hauls and by the animal being worth less in Chicago than it is at its feed pen or near its range.

Mr. BORDERS. That is exactly the proposition, Mr. Lasater. It is in the interest of the producer that the packing plants and stockyards be located near the source of production.

Mr. LASATER. Beyond any question, and it is to the interest of the stockman, the producer, and consumer, because it saves waste.

Mr. BORDERS. And is it not a further fact that all the small stockyards of the West, like Fort Worth, Oklahoma City, and Denver, have been developed through the business sagacity and economies of the packer interests in those yards.

Mr. LASATER. No, sir; I do not think so by any manner of means.

Mr. YOUNG. In that connection is it not true that from Texas the most highly finished product in the way of cattle are yet being forced to be shipped to St. Louis, Kansas City, and Chicago.

Mr. LASATER. There is no question about that.

Mr. BORDERS. Is it not a fact——

Mr. LASATER. Wait a moment, I am talking, Mr. Borders, and I want to insist on replying to the statements you have already made.

Mr. BORDERS. I wish you would answer the first question I put about the consumers, whether they can get cheap meat if the packer pays a high price for the live meat animal. I have not heard an answer to that question.

Mr. LASATER. I stated that the packer or anybody who sold and prepared the meat for consumption would be entitled to a fair return for service rendered. Of course, if meat is to continue at 20 cents—but I want to call your attention to this fact: Much of the country and much of the packer publicity that has been given out would lead the consumers of the country to infer that the country was being fed, we will say, on 17 or 18 cent beef. I produced here a statement showing on two recent cars shipped that dressed 58.60 and 59.10 per cent, I think it was, that one car brought 12 and the other 11. Now, that is less than a 20 per cent raise on prewar prices on that class of stuff, and the cost increase is more that 100 per cent.

Mr. ANDERSON. And the average annual price has never been above 16, and usually very much below that.

Mr. LASATER. I think so, sir; but they quote the market; and there may be a run of 20,000 at Chicago, and there may be four cars that will bring 18 cents, and you gather the impression that that is what

beef is costing, when the average dressed beef cattle sold in Chicago at probably about 14 cents, on the basis of 20 cents for tops.

Mr. BORDERS. Mr. Laster, will you now tell the committee and these consumers if it is not your feeling that the producers are not now getting enough for the live stock?

Mr. LASATER. I know we are taking losses on production, and any consumer knows that they can not be fed at a loss on production. Production must cease unless we can get a profit on production.

Mr. BORDERS. That is it exactly.

Mr. LASATER. We have got to go hungry without it. Now, I insist on being allowed to talk to the Fort Worth situation mentioned by Mr. Young. When the houses of Armour and Swift increased the killing capacity of Fort Worth we were raising few hogs in Texas, and it is a well-known fact that any packer needs pork products to make his business a success, to make his business of distribution a success. So the packers put on quite an educational propaganda to encourage the production of hogs in Texas. Now, they shipped hogs from Omaha and Kansas City to Fort Worth. They found it necessary to do that. That meant that the cost of the hogs to the packers then was Omaha market or Kansas City market plus freight to Fort Worth. As soon as Texas produces a supply of hogs for the Fort Worth market, then our market at once goes to St. Louis quotations less cost of freight from Fort Worth to St. Louis.

The hog was worth as much to the packer in Fort Worth as he was in St. Louis. They could use him, because he would have to ship him in there to use in distributing his products if he had not had the Texas hogs. Of course, it is a known fact that the cost of hog production in Texas is on a somewhat higher basis than, we will say, the corn belt.

This is one of the many things in which the packer does not figure from the standpoint of the common weal, but simply takes everything in sight for himself. This is one reason why you have found so many witnesses able to relate in their experiences isolated instances of injustices from the packers.

You will find page after page of Mr. Swift's, of Mr. Armour's, of Mr. Wilson's, and of Mr. Morris's testimony before the Interstate and Foreign Commerce Committee, where those gentlemen could not give and did not know of any reasons for this antagonism between producer and packer; in fact, Mr. Swift was very positive in stating that he did not think there was any antagonism except by a very few radicals.

Mr. BORDERS. Mr. Lasater, take the Oklahoma City yards that Morris opened up in 1910. Do you not know it to be a fact that in that market now, 10 years later, it is necessary to purchase live stock in Fort Worth, California, Wichita, Kansas City, and St. Louis to keep the packing houses running?

Mr. LASATER. I am very glad the gentleman mentioned that point.

Mr. BORDERS. Now, when you answer that, please cover this——

Mr. LASATER (interposing). I will cover that in a moment. Do not make your question too involved, but let us cover one point at a time. The gentleman mentions the situation at Oklahoma City. We read into the record here of how the packer did away with what is known as the Hodge yards, situated just north of Fort Worth about

1 mile. Now, as Mr. Young has mentioned to this committee, there are more cattle in Texas than Forth Worth can kill.

It is never to the interest of the producer of cattle to offer his cattle on one market and get a packer bid without selling them. As a usual thing you are punished if you go on. So many of us would ship our cattle and feed at Hodge and then go on to Oklahoma City, Kansas City, or St. Louis.

Mr. BORDERS. That is it; thank you.

Mr. LASATER. But when those pens were wiped out they forced us to go to Fort Worth in a crowded yard where your cattle did not get the rest and where Mr. Packer insists on making a bid.

Mr. BORDERS. Then the inference from that, if I may say it correctly, is that Swift and Armour were working against the interests of Morris and Wilson at Oklahoma City when the Hodge yards were closed.

Mr. LASATER. Not necessarily at all. They were working against the interests of the producers of these cattle, absolutely.

Mr. BORDERS. That is another question.

Mr. LASATER. No; from my standpoint, sir, that is a serious question.

Mr. BORDERS. Is it not a fact that Morris purchases an average of 40,000 head of cattle a year in Fort Worth for his plant in Oklahoma City?

Mr. LASATER. I am not in position to say. I know that at times he does purchase cattle, but I am not in position to say how many.

Mr. BORDERS. Mr. Lasater, what I really wanted when I came forward here was to ask you if this article in Farm and Fireside, of March, 1919, reputed to be by "Ed C. Lasater," said article entitled "What I Did When I Lost $130,000 Farming—the story of a man who had the courage of his convictions despite financial ruin and the neighbors who said he couldn't succeed"—I wanted to know whether the statements in that article are true.

Mr. LASATER. Do you mean to ask whether the statements made by me here are true?

Mr. BORDERS. First, is that your article?

Mr. LASATER. Yes, sir; this is my article.

Mr. BORDERS. Are the statements made therein true?

Mr. LASATER. Yes.

Mr. BORDERS. All right. Mr. Chairman, I want to introduce this in the hearing.

Mr. LASATER. Good.

The CHAIRMAN. Very well.

(The article referred to is here printed in full in the record, as follows:)

What I Did When I Lost $130,000 Farming. The story of a man who had the courage of his convictions despite financial ruin and the neighbors who said he couldn't succeed, by Ed C. Lancaster.

I have been asked by Farm and Fireside to tell the story of my business life. If it will serve any good purpose in stimulating other and younger men to harder work, I shall be well repaid. When a man passes the half-century mark, as I did some time ago, he owes it to other men to philosophize a bit—provided, of course, he does not carry it too far.

Twenty-five years ago I lost all I had, and something more. Since that time I have handled probably 250,000 head of cattle, to say nothing of horses, hogs, and sheep. Since that time I have acquired about 350,000 acres of land, the

products from which prove it the equal of the far-famed blue-grass land of Kentucky for stock purposes.

I was born in Texas, a child of the prairies. My father was a ranchman. He had moved to Texas before the Civil War, before the days of big things as we know them now; in the days of the black slave and the open range. He made a business of breeding horses and mules on the open range. From 1,000 to 2,000 head was the usual number carried. Then came the war and revolutionized everything in the South, wiping out the old order as though it had never existed, creating new opportunities of which no man had ever dreamed.

After the war my father cashed in what was left and went into the mercantile business at Goliad. Goliad is across the San Antonio River from where the famous battle of La Bahia was fought and the massacre of Fannin's men took place. My boyhood was thrilled with stories of the Texas fight for independence. I roamed over historic ground, the spirit of freedom was in the air—boundless, buoyant freedom.

WANTED TO BE A LAWYER.

My ambition was to be a lawyer. With the enthusiasm and exuberance of youth, I dreamed of being the first lawyer in the land. My father was dubious, but he did not shatter my dreams completely. He hinted that perhaps I was not strong enough to lay the entire legal world at my feet; he suggested a year on the ranch, so that I might build up my physique, promising that I could go to college the following year. His health was failing, and when the first year was ended he suggested another year of roughing it for me, until we could see what fate held in store for him. He had gone into the sheep business, and we had great hopes for it. Still, the law seemed to beckon me; I yearned for college life.

That was not to be, however. Father's failing health had reached such a stage that I was called upon to look after his sheep venture. My associates were Mexican shepherds, they being the labor supply for that section. I know of no better shepherds than the Mexican, the Scotchman not excepted. The control they can acquire over a flock of sheep is remarkable. I felt as though I were losing out on everything I desired most in life. I could think of nothing at first but the brilliant career at the bar, earned before it ever began. I was disappointed, and have often regretted the fate that led me from the path which I longed to follow. But it took me out into the open, under the stars, where I had time to think, to study nature, and reflect on the problems of the day. Instead of finishing my education at college, my final degrees were taken in various camps between the Rio Grande and the Kansas line. I was studying those rich grazing lands of Texas, laying the foundations for the work I was to do later, but of which I hardly even dreamed then. Success can be built only upon a thorough knowledge of the business in which you are trying to succeed.

Father tackled the sheep business in 1878. Prices were high then, and continued so for several years. Wool was selling at 30 cents a pound, sheep proportionately. Then came the congressional election in 1890, when the Republicans, who had passed the McKinley bill, were terribly defeated, and the presidential election of 1892, in which the tariff was the principal issue. In 1894 the Democrats passed the Wilson bill, which put wool on the free list. The Boston wool industry had placed the sheep business in a condition that made surviving the stroke impossible. Sheep which had been bought for several dollars a head were sold on the Chicago market for 60 cents. Wool values would not pay for herding. The industry passed off the stage, discredited, bankrupt.

We had been seeing the handwriting on the wall for some time, and I had launched into the cattle business on a speculative basis a few years before the crash came. I have always tried to look ahead, and I find that it pays. All the time I had been following sheep I had been studying the range; I had come to the conclusion that the same grazing which had made sheep profitable in the old days would suffice for cattle. I had great faith in the land, in its future. I contracted for the entire output of various ranches, and shipped cattle as far north as Chicago in the early nineties. It is of interest to note how the market changed with the passing years. In later years I rarely ever shipped north of St. Louis. Of recent years I have sent less and less stuff north of Fort Worth.

I was handling cattle in a big way in 1893, the year of the financial panic. That was the very year I had chosen to become ambitious. I was determined to make a fortune. I could see no use in postponing the matter or in taking a number of years to do it; I proposed to make a fortune right then. For

know the old adage, "Man proposes, but God disposes." It held true in my case. In January and February of that year I contracted for something like 26,000 to 28,000 head of cattle. The recurring dry spell struck me, so that the cattle did not finish on the range as I had planned. In June the panic struck the country. The bottom fell out of the cattle business; my plans were shot to smithereens. Instead of disposing of the cattle quickly and profitably, as I had planned, I was obliged to feed a number of them through the winter at great expense. The spring of 1894 saw the lowest market on record. Fat steers sold for $2.70 a hundred pounds in January of that year on the Chicago market. The result was that I lost all I had and something more. I did a business that year of about $800,000; I lost about $130,000. But the man who lets failure discourage him doesn't deserve to succeed. I went back at it hammer and tongs.

It was rather a dark prospect for a young man who had longed to be the Nation's greatest lawyer, who had determined to make a fortune in one year, and who had seen both of his dreams rudely shattered into bits. While disappointed, I was not discouraged; I had the best of assets left—a good credit. Whatever I possess to-day was built out of that failure. I turned bad luck into good luck by keeping everlastingly on the job, in season and out of season. I made my work a delight, never forgetting to look after the details.

I succeeded in protecting my paper, in protecting all my cattle contracts. I took the stuff I had contracted for, paid for it, and did the best I could. I still had faith in the country. Never lose faith in the land so long as you are willing to work. I knew the range was there; I felt sure the opportunity was there.

That same dry weather and those same low prices which had broken me, likewise broke the ranchers in the country all around me. I could not ask for sympathy because misfortune had singled me out for its attack; it had visited all impartially. It had wrought havoc in the ranches south of me, in that country secured by its Mexican owners through grants from the Spanish and Mexican Governments, dating from 1800 to 1820, for the most part, years before Texas declared itself independent and left the mother country.

That year proved to be the hardest those ranch owners had ever experienced, the conditions the worst they had ever contended with. The cry everywhere was for water. Stock died for want of it; drought and panic laid low the once fair land. The trouble came about largely through the inefficient Mexican methods. The grantees had depended for almost a century upon shallow wells, which were no more than surface trenches 10 or 12 feet deep, from which water was pumped or lifted by means of long poles and buckets. In 1893 the wells failed, the ranchmen lost cattle by the thousands; with a shrug they would say, "It is the will of God." That's the way some people have of saying that they don't care to struggle with difficulties.

Now, in a way, those Mexican grantees were no worse off than I was. I had one thing, however, which they did not have—confidence in my ability to provide a water supply. I canvassed the situation and came to the conclusion that the English companies, from whom the Mexican ranchers had secured loans, would want somebody to use these lands who could make them productive. I was confident I could do it. I had executive ability; certainly I knew the country, and had faith in it. Faith in myself has helped me to do a lot of seemingly impossible things.

The result was that with the backing of several bankers, who had confidence in me and my ability, principally because I had confidence in myself and would work. I was able to reengage in business. I contracted for between 25,000 and 30,000 head of cattle in the fall of 1894, to be delivered to me in the spring of 1895. At the same time I began to buy up the country of the descendants of the old Spanish and Mexican grantees—making small payments down, the loan companies carrying the balance—to lease up other land, to fence it, and to secure the necessary water. I soon found out that I could go into the old trench wells of the Mexican grantees and, by sinking the well 90 feet or so deeper, secure a supply of water sufficient to feed a 4-inch pump, which was enough water for all the cattle that could graze thereabout. The water had been there all the time, only the inefficient methods had failed to produce it when it was so badly needed. Lots of things that we want and never get are lying right around us if we will only look for them.

LOST EVERYTHING BUT HIS NERVE.

In effect, then, I set about to build up a fortune out of the ruins of panic and misfortune. I had lost every cent I possessed, and some $30,000 more. I staked everything on a still greater venture. I laid the foundations then

for the Falfurrias Ranch of to-day, with its 350,000 acres. I bought great tracts, paying $1 to $1.50 an acre—25 cents down, and time on the balance. I had faith in myself and in the land, and eventually I won out. In the last 20 years I suppose I have handled 250,000 head of cattle. I have seen many changes come over the State and the Nation, but never for one instant have I regretted the decision to build a still larger edifice on the ruins of the old one. In his instance success meant "doing many little things well." And the moral of it all is this: What I have done other men can do. I did not exhaust all the possibilities, by any means.

This brings me around to another chapter of my life story. Just as I graduated from sheep to beef cattle, so of recent years I have graduated into the dairy business, which is now my particular pet and pride. In it I see the early upbuilding of southern Texas as man never dreamed possible a few years ago.

The history of the development of all new lands heretofore has been this: Three generations have been required to open them to permanent settlement. The first generation has struggled to obtain a foothold, and has almost invariably been obliged to give up, to go back to the wife's kinfolks. The second generation has carried on the dream of the first, handing down legends of the new land just over the horizon. The third generation has been the one to obtain the permanent foothold, to bring the land under real cultivation. This was the story of the development of as good a State as Kansas. I set out to develop one section of Texas through the first generation of settlers. I believe I have succeeded. Anyone can do it.

It occurred to me that from a strictly grazing country large areas would eventually have to go in for general farming. I set about to demonstrate the character of farming which would enable the first generation to stick. I got to thinking along dairy lines. I knew that one dairy cow had an earning capacity equal to five or six beef cows. If I could create a market for the product of the dairy cow and the first farmers who came would be enabled to hold on, we should not have to wait for the third generation.

I took to studying dairy breeds. I read everything. I could get hold of, and soon discovered that no matter what I was reading, Wisconsin was quoted as the State from which to learn. I found that the average Wisconsin cow produced 100 pounds of butter fat annually. At that rate it would take 800 producing cows to back a creamery which could be made a commercial success. I believed it would be possible to get a herd which would beat the Wisconsin record 100 pounds on the average. To do so would also increase the chance of the first generation of farmers being a success. If we could do this it would mean that the small farmer, milking 10 cows, would be able to make $50 more per cow than the Wisconsin dairyman—$500 more altogether on his herd. This would double the average wage income of the ordinary farmer. It was worth attempting.

I chose Jerseys as my breed, and set to work. The experts said it couldn't be done, that the climate was against me. I recalled that when I was a boy, with no ice to be had anywhere in the range country, we had just as rich milk, just as good butter on my mother's table as I ever tasted. The climate was not against her, why should it be against me? I believed our native Texas grasses were better than the far-famed blue grass of Kentucky. Believing this myself, I set about to prove it to others.

I sought the best Jersey herds in the country, buying only American-bred cattle at first. Then it became my ambition to give my community the benefit of one of the best Jersey herds in the world. I secured a herd of select, island-bred Jerseys, 100 cows, costing an average of $600 each. With that as a start seven years ago to get my island blood from I continued breeding up my herd. In 1916 I exhibited at the National Dairy Show at Springfield, Mass., and the Dairy Cattle Congress at Waterloo, Iowa, taking back home the breeders' diploma from both places. In 1917 I took back both the breeders' and exhibitors' diploma on my herd of 27 Jerseys, 22 of which had been bred on the ranch. That seems to me conclusive proof that our native Texas grasses are equal to Kentucky blue grass or any other grass. If the country had not been as I had sized it up, I could not possibly have got these results.

To-day Falfurrias butter is the standard for all Texas. We are marketing over $1,000 worth of dairy products every day. We are drawing farmers from the North—Kansas, Missouri, and Illinois in particular—and are enabling the first comers to get a firm foothold and not to struggle through three generations before permanency is secured.

This in outline is the story of my business life as Farm and Fireside requested it. Naturally, in the course of some 40 years of active work among sheep, beef cattle, and dairy cattle, studying production problems first hand, encountering labor troubles, and finding the marketing end of stock raising and general farming to be fully as important as the producing, I have come to hold firmly to certain economic principles. I am firmly convinced of the necessity of cooperation in the sale of farm products. But that, as Kipling says, is another story.

Mr. BORDERS. You know Mr. Lee Bivins very well, at Amarillo, Tex., do you not?

Mr. LASATER. I do not know him personally, but I know of him.

Mr. BORDERS. Do you know Amarillo very well?

Mr. LASATER. Yes, sir.

Mr. BORDERS. Is this postal card a picture of the home of Producer Lee Bivins?

Mr. LASATER. I do not know. I am not familiar with his home.

Mr. ANDERSON. Are we conducting a lawsuit or a hearing, Mr. Chairman; which is it?

Mr. BORDERS. I withdraw, if that is your desire; I have nothing more to say, then.

Mr. ANDERSON. What do you want to get at?

Mr. BORDERS. Here is what I want to get at: The statement has been made several times that no money has been made by producers, except by reason of increased value of land. I want to show that Landergin Bros. went into Amarillo a few years ago without a dollar and leased land, and out of the raising of cattle and the selling of same to the packers in five years they purchased 100,000 acres of land, and are now worth $3,000,000.

Mr. LASATER. I insist on this going into the record at this point: There has never been any such statement made before this committee as that there has not been money made at times in cattle. But on this subject I want to state my experience in 1911. Nineteen hundred and eleven was one of the most disastrous years we ever had. The packers that year pared our margins so close that they found it necessary during the month of July to boost the market up a dollar a hundred, something that I think you will find was never done before. When the run of grass cattle begins it is the natural thing to have a cheapening of the market because then are being marketed cattle that are made at much lower cost of production than grain-fed cattle. So, as I say, from July on through to November, there is a gradually lessening market price on what we term "dressed-beef stuff." In 1911 I marketed, we will say, from March to June, about 5,000 cattle caked on grass. My feed bill was about $20 a head. I lost more than my feed bill. The following year, after thinking the matter over, I decided I was going to try the feed game once more, because the country had been punished very cruelly, and I felt that the packer would have to do something to encourage production again if he was to have the product to manufacture into means. I had shaped up my ranch affairs so as to handle about 5,000 steers a year and feed them out on grass, and I did so that year, and made the money back in 1912.

So, to say there has never been a profit in the feeding business, I think no producer will assert, and it is not a fact; but what I will say is that our losses and profits are both by extremes, and nobody when

he feeds a string of cattle can tell what the pleasure of the packer is going to be when those cattle arrive at the market—at the stockyards.

Here is what I think will account, to some extent, for the action of the packer in skinning the country in 1911: They made their investments in South America in 1909, 1910, and 1911. They got into the packing game there, and they would lead us to infer that it was efficiency that enabled them to run out their English competitors. That was not it. They had the machinery here in the United States which enabled them to take from the live-stock producer whatever their needs required. They have at times used this power ruthlessly. On the other hand, their English competitors were situated differently, and when he exhausted his capital there he quit. But the Chicago packer came back here and took from the live-stock producer what he needed to take possession of South American slaughtering.

Mr. VOIGT. Did I understand you to say that the packers had agreed at any time to ask for an investigation along with the consumers?

Mr. LASATER. They did agree to that. I read that agreement into the record. They consented to that proposition.

Mr. VOIGT. When was that?

Mr. LASATER. December 7, 1916.

Mr. VOIGT. Did you put the agreement into the record?

Mr. LASATER. I put the whole thing in. I also put in the conversation leading up to it. I only read into the record the resolution itself, but put into the record all of the discussion that led up to it without reading that discussion.

Mr. VOIGT. What was that investigation to cover?

Mr. LASATER. The cost of live-stock production, the packing industry, and the sale and distribution of live stock, and the distribution of live-stock products.

Mr. VOIGT. Who was to make this proposed investigation?

Mr. LASATER. We were going to ask that some Federal agency, preferably the Federal Trade Commission do it. That was what the American National Live Stock Association started out to do.

Mr. VOIGT. Where was the agreement made?

Mr. LASATER. In the office of Mr. Louis F. Swift, Chicago.

Mr. VOIGT. Who were the other parties to the agreement?

Mr. LASATER. Largely the market committee of the American National Live Stock Association. Mr. Walter Fisher, our attorney, was present, and the allied packers, Morris, Cudahy, Armour, Swift, and Wilson.

Mr. VOIGT. Did the packers ever do anything to bring about that investigation?

Mr. LASATER. We were never able to pass the law. The packers defeated us. We got an investigation, however, through the order of the President in the summer of 1917, I think it was.

Mr. VOIGT. What I want to get at is, you say in 1916 the packers agreed with you to ask for a Federal investigation?

Mr. LASATER. Yes, sir; in December, 1916.

Mr. VOIGT. And the live-stock men, pursuant to that understanding with the packers, did press for an investigation?

Mr. LASATER. We did.

Mr. VOIGT. Do you know anything that the packers did to bring about that investigation?

Mr. LASATER. Nothing whatever, sir. But we thought all the time we were asking for it that we could experience the methods of the packers in preventing us from getting an investigation, and they did prevent for a while the passage of a resolution making an appropriation for this investigation.

Mr. BORDERS. I do not want to break in to ask a question, but I do want to say, at this point, that that matter will be fully explained when we come along in the hearing. And I will add, it was to be for the purpose of showing the steps and costs from the calf on the farm to the meat on the table.

The CHAIRMAN. The live-stock business has its ups and downs the same as any other business. Some years there may be profits and in other years there may be losses.

Mr. LASATER. Yes; but experience will show that the producer and feeder of cattle has had a great many more downs than he has had ups. On the average the business has not warranted us staying in it.

The CHAIRMAN. How many good spots have you had in the last three or four years? Is is not a fact that it has been against the feeder practically all the time?

Mr. LASATER. Yes, sir. I want to say this, that from 1917, after the Food Administration got to work, in the fall, from November to March, it was most disastrous. The investigation by the Committee on Agriculture and Forestry of the Senate started in March, 1918, and we will say that the effect of it became apparent on the market about April, 1918, and that from April, 1918, on through the fall of the year we had a very fine market. I have never known of such margins.

The CHAIRMAN. All that time you had Government regulations?

Mr. LASATER. Yes; we were under Mr. Hoover of the Food Administration.

The CHAIRMAN. You referred to Mr. Hoover; that was under Government regulation.

Mr. LASATER. Yes, sir.

The CHAIRMAN. Judging by what has been done so far under Government control what may we expect in the future? We have had Government control of railroads. We have had Government control of the millers, and of the packers, and yet we are told there have been nothing but dark spots.

Mr. LASATER. I would like to take some exception to that. I think if you will read thoroughly Commissioner Woolley's report to the country, and also Mr. Hines's before a certain meeting in New York—I do not recall the occasion; it seems to me if anybody will take these statistics handed out by them, and analyze them, and fairly judge them, that he can not call Government operation of the railroads a failure. That would be my impression of the situation.

The CHAIRMAN. Do you approve of Mr. Chambers's course?

Mr. LASATER. No, sir; I would make that impossible.

The CHAIRMAN. That is, as to the railroads?

Mr. LASATER. Yes, sir; that is true. But that is only one incident and shows what certain interests have done and will do to influence Government officials.

The CHAIRMAN. That interest has been here and probably will be here for all time, will it not?

Mr. LASATER. Wait a moment. The bill reported out by the Committee on Agriculture and Forestry of the Senate has in it the recall feature. That means that this commission it could create would be subject to recall by a concurrent resolution of the House and the Senate. That is somewhat of a new departure. But I do not think it ought to require a concurrent resolution, but that it ought to be by a resolution of the Senate.

The CHAIRMAN. At the present rate, when could we expect final action? This matter has been up now for about four years.

Mr. LASATER. Yes; and that does not look very hopeful. But I do know that relief we must have, and that the demand from now on will be very persistent on Congress that it give us relief in this matter.

The CHAIRMAN. You have been very insistent already from time to time; but what is worrying me is, from the results so far obtained what may we expect? Would it not be better to put some teeth into the Sherman antitrust law and have some specific legislation that would bring about more definite results? Would not that give us more certainty of definite and satisfactory results? It has been stated before this committee that 90 per cent is enforcement and 10 per cent is law; may we have some hope in the future of enforcement of any law that we might pass that had some provision to take care of this matter?

Mr. LASATER. I admit that I am not a lawyer, but the country has not very much hope in getting relief from the Sherman antitrust law.

The CHAIRMAN. It might be strengthened?

Mr. LASATER. I am not prepared to say what might be done as to that.

Mr. YOUNG. A very interesting opinion was rendered on that law the other day by the Supreme Court of the United States, where the Steel Trust's organization was being attacked by the Government.

Mr. LASATER. Yes; and I think the court upheld the contentions of the Steel Trust.

Mr. YOUNG. They seemed to think that it was a very good trust. It is a very far-reaching opinion, I would say.

Mr. LASATER. I do not see how you can reach this packer situation except by licensing the packer and creating a commission that will have supervision over the business of the packers.

The CHAIRMAN. We licensed the millers, for instance, and allowed a profit to the miller of about 15 cents a barrel. The Government put the maximum profit at 25 cents a barrel; still the millers took 45 cents a barrel. One concern took about $270,000, and later came down here and settled with the Government for $4,000, so it was in about $266,000. That is our experience with licensing and Government control. It seems to me that it has not been satisfactory to the consumers and the producers. But it has been a very good thing for the one who has an influence with the power to regulate.

Mr. YOUNG. Do you think it would be an exactly fair comparison to take a war measure, when everything was under the stress of war, and everything was bent toward winning the war, and to use it when we are now figuring on making peace legislation for peace times?

The CHAIRMAN. Some contend that the war has been over for some time, yet the contention that we are in a state of war has been the excuse for the continuation of many war powers.

Mr. YOUNG. As far as I am concerned, I do not think that these war measures have anything to do with this kind of legislation. My personal view is that there is a situation confronting us which demands legislation and demands the best thought that we have got to give to it; and because some blunders were made in connection with war legislation ought not to deter us from doing our duty in working out legislation that will bring about relief. I want to say that, so far as I am concerned, my mind is made up to try to work out something which will bring about relief, regardless of what may have been done under war regulation.

The CHAIRMAN. There has been no question raised as to motives, but we must benefit by past experience. We naturally must take that into consideration; and I for one am inclined to consider the results obtained under Government control in taking up matters of this kind.

Now, Mr. Lasater, I want to ask you if you have any objection to writing some teeth into this law—to strengthen the Sherman antitrust law by putting teeth into it?

Mr. LASATER. I think, sir, the situation that confronts both the consumer and the producer of the country has got to be remedied. From my standpoint, rather than to make any change in the Sherman antitrust law I would legislate along the line of the Anderson bill now before this committee.

The CHAIRMAN. Some have said that the Sherman antitrust law is not worth the paper it is written on; and yet you want it?

Mr. LASATER. No; I do not know that you could make that cover this matter at all. I did not say I wanted it.

The CHAIRMAN. Do you want to take it out of the hands of the courts of the country? What about the consent decree?

Mr. LASATER. No, sir; the decree means nothing to me. You made mention of the Sherman antitrust law and of the decree, and I was talking about legislation.

The CHAIRMAN. Do you think it would be a hardship to punish these packers by imprisonment as well as fining them?

Mr. LASATER. I think it would deter them.

The CHAIRMAN. Are you with them or against them on that proposition?

Mr. LASATER. No, sir; I think that the packer or any man, if he is guilty, ought to be made to suffer according to his guilt.

The CHAIRMAN. Farmers have been put in jail for selling milk at 7 cents a quart. Do you think it would be fair not to jail the other man when he has violated the law?

Mr. LASATER. I am absolutely opposed to our courts of justice, by consent decrees or otherwise, removing the prospect of prosecution from the packers.

The CHAIRMAN. How about a penalty against the big fellows who commit these acts?

Mr. LASATER. That amounts to very little.

The CHAIRMAN. Are you in favor of fines and penalties for offenses?

Mr. LASATER. I would much prefer a penitentiary sentence. I would much prefer a penitentiary sentence to any amount of fines, because if you leave their machinery intact they can take the fine back from the producers of the country. So I can not see how that would have any effect of intimidation as far as the packers are concerned.

The CHAIRMAN. I want to get that cleared up: Are we to understand that you would be in favor of fines and penalties for violation of the law?

Mr. LASATER. I am more in favor of imprisonment than I am in favor of fines and penalties. I do not think that fines and penalties would have any effect if you leave the machinery they now have in effect because they can get the fines and penalties all back from the people.

The CHAIRMAN. You are in favor of imprisonment?

Mr. LASATER. Yes, sir. That is the only thing that will be effective.

The CHAIRMAN. Are you in favor of strengthening the Sherman antitrust law?

Mr. LASATER. Why, certainly, if it can be made in any way to correct the evils we suffer from. I am in favor of strengthening it if that can be done and bring about results, but I know that it does not answer the needs of the Nation now.

The CHAIRMAN. That answers my question.

Mr. LASATER. One moment in regard to that: I have in my hand part 4 of the Senate hearing on S. 2199 and S. 2202. This gives the testimony of the Attorney General before the Senate committee, and is followed by a decree against the packers, which, I think, has been in effect since 1906. I will ask Mr. Borders to correct me if I am wrong in that.

Mr. BORDERS. You are positively wrong.

Mr. LASATER. How long has it been in effect?

Mr. BORDERS. This testimony of the Attorney General's of the time——

Mr. LASATER (interposing). No; the decree that was in effect before this late decree was agreed to by the Attorney General—I mean the injunction against you packers now that has been running since 1906, I think.

Mr. BORDERS. I will be very glad to answer that: That is the Grosscup injunction granted in 1903. It was merely to restrain the defendants from violating the Sherman antitrust law. Following that, in 1912, the packers were put on trial, and were on trial for eight months before a jury, and all this evidence was gone into very fully, and the jury very promptly found them not guilty. Now, one moment on this decree: This other decree you speak of is on an entirely different basis. We understand that the principal charge that you producers will make is as to the packer being interested in the stockyards; and as to the consumers, that the packers should not be in these unrelated lines, and particularly in wholesale groceries, threatening, as they claimed, to monopolize the American table. Now, this injunction perpetually enjoins and restrains these people from having any interest in stockyards or engaging in the business of wholesale groceries and a lot of other things. So there can be no comparison.

The CHAIRMAN. Mr. Borders, can you enumerate the things the packers are separated from doing? You mentioned the stockyards.

Mr. BORDERS. Oh, yes; they are absolutely separated from the stockyards.

The CHAIRMAN. And from the wholesale grocery lines?

Mr. BORDERS. Yes, sir.

The CHAIRMAN. And from what others?

Mr. BORDERS. Well, all conceivable kinds of groceries and practically everything of every kind of unrelated lines outside of butter, cheese, and eggs. Everything else is taken out.

Mr. ANDERSON. How many of the Big Five were in the grocery business at the time of this decree?

Mr. BORDERS. I would say all of them, with the possible exception of Cudahy.

Mr. ANDERSON. To what extent is Morris & Co. in the grocery business?

Mr. BORDERS. Morris & Co. were not as deeply in it as Armour and Swift, and for this reason—I can explain it if you so desire. I do not want to take up any time if you do not want me to take it at this time.

Mr. ANDERSON. All right; explain it.

Mr. BORDERS. You understand that during the war, that the difference between Government operation then and the condition now is that at that time we had European purchasers for meats, and now, with the present exchange, there are no European purchasers. All this meat that went to Europe would not go through our branch houses, you understand, and people were discouraged from eating meat, and branch houses were not occupied. That was an added expense; that was when Morris & Co. went into the grocery business.

If Morris & Co. or any other packer is deprived of handling these side lines and this distributing system is confined entirely to handling meat and one or two other things, that is going to increase the expense, and nobody need be surprised about it, because it will happen. The result will be that either the price of the live meat animal must go down or the cost to the consumer must go up. That is just as plain as two and two are four. That is not a matter to be settled by prejudice or to be left to uncertainty.

Mr. ANDERSON. Let us not get off this subject.

Mr. BORDERS. No; that is right on this subject.

Mr. YOUNG. For the packer must have big dividends himself if everybody else must suffer.

Mr. BORDERS. I am very glad that you have interjected that remark. If you will take the history of Morris & Co.—and I will be glad to give it to you, will be very glad to hand it to you—giving the exact figures showing the history of our growth, they will be interesting to you, no doubt. This history of our growth is simply this: That instead of taking the money out of the business—and there is no water in this organization—the money has been permitted to remain in the business and to accumulate. It is a proposition of compound interest, and that is the story of the Morris organization. The money that Nelson Morris made from the feeding of cattle and all that went into this organization. I would be mighty

glad to have you examine that to the last analysis. You will find the dividends of Morris & Co., and you will find that is what has been done with the money. You understand that Morris & Co. have only had a capital stock of $3,000,000, although they now have between $40,000,000 and $50,000,000 of surplus of invested capital.

The CHAIRMAN. The Federal Trade Commission reports a profit of 263 per cent?

Mr. BORDERS. Yes, sir; figuring on a capital of $3,000,000 instead of figuring it on the capital investment. Now, that is one reason why we say this is not fair.

The CHAIRMAN. What would be your surplus and capital?

Mr. BORDERS. I think I have it here, but have not the exact amount in my mind.

The CHAIRMAN. Very well, that may be put in later on.

Mr. ANDERSON. All your capital except $3,000,000 represents earnings?

Mr. BORDERS. Practically all.

Mr. ANDERSON. Let us get back to the grocery business if you are going to do a little testifying.

Mr. BORDERS. I will be very glad to testify if you desire.

The CHAIRMAN. Are prints of this consent decree available?

Mr. BORDERS. Yes, sir.

The CHAIRMAN. Will you kindly supply the committee with a copy?

Mr. BORDERS. I will be very glad to do so.

The CHAIRMAN. I wish to have it incorporated in the hearing at this point.

Mr. BORDERS. All right.

(A copy of the skeleton form of decree and consents furnished by the office of the Attorney General is here printed in full in the record as follows:)

IN THE SUPREME COURT OF THE DISTRICT OF COLUMBIA.

EQUITY NO. 37623.

The United States of America, petitioner, *v.* Swift & Co., et al., defendants.

This cause having come on to be heard on this 27th day of February, in the year 1920, before the Hon. Walter I. McCoy, Chief Justice, and the petitioner having appeared by the Hon. A. Mitchell Palmer, Attorney General of the United States, by its district attorney, John E. Laskey, and by Isidor J. Kresel, John H. Atwood, and Joseph Sapinsky, special assistants to the Attorney General, thereto duly authorized, and having moved the court for an injunction in accordance with the prayer of its petition; and it appearing to the court that the allegations of the petitioner state a cause of action against the defendants under the provisions of the act of July 2, 1890, entitled, "An act to protect trade and commerce against unlawful restraints and monopolies," and acts amendatory thereof and supplemental or additional thereto, and that the court has jurisdiction of the persons and the subject matter; and the several defendants having accepted service of process and having appeared and filed answers to the petition, which answers are on file in the office of the clerk of this court; and the parties having this day entered into a stipulation in this action which stipulation is on file in the office of the clerk of this court, and from which it appears, among other things, that while the defendants, and each of them, maintain the truth of their answers and assert their innocence of any violation of law in fact or intent, they nevertheless, desiring to avoid every appearance of placing themselves in a position of antagonism to the Government, have consented and do consent to the making and entry of the

decree now about to be entered without any findings of fact, upon condition that their consents to the entry of said decree shall not constitute or be considered an admission, and the rendition or entry of said decree, or the decree itself, shall not constitute or be considered an adjudication that the defendants or any of them have in fact violated any law of the United States.

Now upon the petition, the answers of the defendants, and the aforementioned stipulation and consents of the parties, all on file in the office of the clerk of this court, and on motion of the petitioner, it is ordered, adjudged, and decreed as follows:

1. That the corporation defendants and each of them be, and they are hereby, jointly and severally perpetually enjoined and restrained from, either directly or indirectly, by themselves or through their officers, directors, agents or servants, in any manner maintaining or entering into any contract, combination, or conspiracy with each other, or with any other person or persons, in restraint of trade or commerce among the several States, or from either directly or indirectly, by themselves or through their officers, directors, agents or servants, either jointly or severally monopolizing or attempting to monopolize or combining or conspiring with each other, or with any other person or persons, to monopolize any part of such trade or commerce.

2. That the defendants and each of them be, and they are hereby, jointly and severally perpetually enjoined and restrained from owning, either directly or indirectly, individually or by themselves, or through their officers, directors, agents, or servants, any capital stock or other interest whatsoever in any public stockyard market company in the United States or in any stockyard terminal railroad in the United States or in any stockyard market newspaper or stockyard market journal published in the United States, except in so far as the court may permit any of the individual defendants to retain any such interests upon the conditions and in such circumstances as are provided for in paragraph 10 of this decree; and said defendants and each of them are hereby further enjoined and restrained from accepting or permitting to be given, directly or indirectly, on any pretext whatever, to any of them, or to any of their officers, directors, servants, or employees, for the use and benefit of the corporation defendants or any of them, any capital stock or other interest in any public stockyard market company, stockyard terminal railroad, or stockyard market newspaper or stockyard market journal.

3. That the corporation defendants and each of them and their successors and assigns be, and they are hereby, perpetually enjoined and restrained from, either directly or indirectly, by themselves or through their officers, directors, agents, or servants, through any device or arrangement whatsoever, using or permitting any other person, firm, or corporation to use their distributive system and facilities, including their branch houses, route cars, and auto trucks, or any of them, in any manner for the purchase, sale, handling, transporting, distributing, or otherwise dealing in any of the articles or commodities named and described in paragraph 4 of this decree, except in so far as permitted in said paragraph 4, and except refrigerator cars when in good faith leased to common carriers or furnished to them for their use as common carriers.

The corporation defendants or any of them may from time to time lease, sell, or otherwise dispose of any of the items of their distributive system free from any of the restrictions of this decree when they have a surplusage thereof or when such items have become obsolete or are otherwise not required for the business of the defendants or any of them. But no sale, lease, or other disposition of a substantial part of the defendants' respective distributive systems or such distributive system as an entirety shall be made without submitting the same to the court for the court's investigation and determination as to whether said proposed sale, lease, or other disposition is in accordance with the spirit and purpose of this decree, and without notice of the application for such approval first given to the Attorney General. Nothing herein contained shall be construed to prohibit the defendants or any of them from mortgaging or otherwise creating liens on said distributive system or parts thereof.

4. That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, in the United States, either directly or indirectly, by themselves or through their officers, directors, agents, or servants, engaging in or carrying on, either by concert of action or otherwise, either for domestic trade or for export trade, the manufacturing, jobbing, selling, transporting (except as common carriers), distributing or otherwise dealing in any of the following products or commodities, except when such products or commodities are purchased, transported, or used (1) as supplies in operating

their packing houses, branch houses, or other facilities used by them, or as an incident in the processes of manufacturing soap or packing-house products; (2) in the construction and physical maintenance of their packing houses, branch houses, or other facilities used by them; (3) in the operation of their restaurants, laundries, or other conveniences, primarily for the benefit of their employees; or (4) in combination with meat, to wit:

1. Fresh, canned, dried, or salted fish, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Canned oysters.	Canned salmon.
Canned mackerel.	Canned sardines.
Bulk mackerel.	Canned shrimp.
Bulk, canned, and cured herring.	Canned tuna fish.

2. Fresh, dried, or canned vegetables, except in combination with meats, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Asparagus.	Potatoes.
Navy beans.	Tomatoes.
Lim beans.	Celery.
Peas.	Garlic.
Beets.	Horse-radish.
Corn.	Pumpkins.
Okra.	

3. Fresh, crushed, dried, evaporated, or canned fruits, including therein, but in nowise limiting the foregoing general description, the following, but not including the same when used as ingredient of mincemeat, to wit:

Ginger.	Figs.
Cherries.	Gooseberries.
Apple butter.	Oranges.
Apricots .	Strawberries.
Blackberries.	Apples.
Peaches.	Prunes.
Pineapple.	Raisins.
Raspberries.	Dates.
Currants .	

4. Confectionery, sirups, soda-fountain supplies and sirups, and soft drinks (grape juice is not included in this paragraph 4; see paragraph 14), including therein, but in nowise limiting the foregoing general description, the following, to wit:

Apple cider.	Lemon extract.
Cherry juice.	Marshmallow topping.
Coco-Cola.	Orange extract.
Crême de menthe.	Root beer.
Crushed nut frappe.	Vanilla extract.
Ginger ale.	Vin fiz.
Green pineapple sirup.	

5. Molasses, honey, jams, jellies, and preserves of all kinds.

6. Spices, sauces, condiments, relishes, and sauerkraut, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Catsup.	Olives.
Chili sauce.	Oyster cocktail sauce.
Cinnamon.	Pepper.
Cloves.	Pickles.
Mustard.	Spinace chili.
Mustard seed.	Tomato catsup.

7. Coffee, tea, chocolate, and cocoa.

8. Nuts, including therein the following, to wit:

Almonds.	Walnuts.
Pecans.	

But not including peanuts.

9. Flour, bread, and rice.
10. Bread, wafers, crackers, biscuits.
11. Cereals, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Grits.	Ground corn.
Oats.	Cracked corn.
Hominy.	Crushed white oats.
Hominy feed.	Feed barley.
Horse feed.	Feed meal.
Brewers' flakes.	Feed wheat.
Brewers' grit.	Rolled oats.
Brewers' meal.	Standard middlings.
Buckwheat.	Standard spring brand.
Canned hominy.	Spaghetti.
Clipped oats.	Vermicelli.
Corn grits.	Macaroni.
Ground meal.	Corn flakes.
Ground oats.	Wheat foods.

12. Grain.
13. Miscellaneous articles, to wit:

Cigars.	Cement, lime, plaster.
China.	Doors and windows.
Furniture.	Dried brewers' grains.
Bluing, starch.	Lath.
Fence posts and wire fences.	Pitting and fruit handling machinery.
Alfalfa meal.	Roofing.
Babbitt.	Sand and gravel.
Bar iron.	Shingles.
Binding and twine.	Soda fountains or parts thereof.
Brass castings for heavy ordnance.	Structural steel.
Brick.	Tile.
Builders' hardware.	Waste.
Bumping posts for railroads.	

14. Grape juice.

And the corporation defendants, and each of them, be, and they are hereby, further perpetually enjoined and restrained from owning, either directly or indirectly, severally or jointly, by themselves or through their officers, directors, agents, or servants, any capital stock or other interest whatsoever in any corporation, firm, or association except common carriers, which is in the business, in the United States, of manufacturing, jobbing, selling, transporting, except as common carriers, distributing, or otherwise dealing in any of the above-described products or commodities.

5. That the individual defendants, and each of them, be, and they are hereby, perpetually enjoined and restrained from, in the United States, either directly or indirectly, by themselves or through their agents, servants, or employees, owning voting stock which in the aggregate amounts to 50 per cent or more of the voting stock of any corporation, except common carriers, or any interest in such corporation resulting in a voting power amounting to 50 per cent or more of the total voting power of such corporation, or which interest by any device gives to any such defendant or defendants a voting power of 50 per cent or more in any such corporation, or a half interest or more in any firm or association which corporation, firm, or association may be, in the United States, in the business of manufacturing, jobbing, selling, transporting, distributing, or otherwise dealing in any of the following products or commodities, to wit:

1. Fresh, canned, dried, or salted fish, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Canned oysters.	Canned salmon.
Canned mackerel.	Canned sardines.
Bulk mackerel.	Canned shrimp.
Bulk, canned, and cured herring.	Canned tuna fish.

2. Fresh, dried, or canned vegetables, except in combination with meats, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Asparagus.	Potatoes.
Navy beans.	Tomatoes.
Lima beans.	Celery.
Peas.	Garlic.
Beets.	Horse-radish.
Corn.	Pumpkins.
Okra.	

3. Fresh, crushed, dried, evaporated, or canned fruits, including therein, but in nowise limiting the foregoing general description, the following, but not including the same when used as an ingredient of mincemeat, to wit:

Ginger.	Figs.
Cherries.	Gooseberries.
Apple butter.	Oranges.
Apricots.	Strawberries.
Blackberries.	Apples.
Peaches.	Prunes.
Pineapples.	Raisins.
Raspberries.	Dates.
Currants.	

4. Confectionery, sirups, soda-fountain supplies, and sirups and soft drinks not including grape juice, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Apple cider.	Lemon extract.
Cherry juice.	Marshmallow topping.
Coca-cola.	Orange extract.
Creme de menthe.	Root beer.
Crushed nut frappe.	Vanilla extract.
Ginger ale.	Vin fiz.
Green pineapple sirup.	

5. Molasses, honey, jams, jellies, and preserves of all kinds.

6. Spices, sauces, condiments, relishes, and sauerkraut, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Catsup.	Olives.
Chili sauce.	Oyster cocktail sauce.
Cinnamon.	Pepper.
Cloves.	Pickles.
Mustard.	Spinace chili.
Mustard seed.	Tomato catsup.

7. Coffee, tea, chocolate, and cocoa.

8. Nuts, including therein the following, to wit:

Almonds.	Walnuts.
Pecans.	

But not including peanuts.

9. Flour, sugar, and rice.

10. Bread, wafers, crackers, biscuits.

And further perpetually enjoining and restraining said individual defendants and each of them from individually or jointly, either directly or indirectly, by themselves or through their agents, servants, or employees, adopting any device or arrangement which by reason of the relation of said individual defendants or any of them to the corporation defendants or any of them would have the purpose or effect of giving to such business of dealing in the articles hereinabove in this paragraph mentioned and described, in which business such individuals or any of them may be substantially interested, an advantage over their competitors similar in purpose or effect to any advantage now enjoyed by any of the corporation defendants through their distributing system.

6. That the defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, in the United States, owning and operating or conducting, either directly or indirectly, severally or jointly, by themselves or through their officers, directors, agents, or servants, any retail meat markets in

the United States: *Provided, however,* That nothing contained in this decree shall prohibit said defendants or any of them from continuing to conduct the retail meat markets located at their several plants and maintained by said defendants primarily for the accommodation of their own employees as long as said retail meat markets shall be continued to be operated for that purpose.

7. That the defendants and each of them be, and they are hereby, perpetually enjoined and restrained from owning, directly or indirectly, jointly or severally, by themselves or through their officers, directors, agents, or servants, any capital stock or other interest whatsoever in public cold-storage warehouses in the United States: *Provided, however,* That nothing herein contained shall be construed to prevent the defendants or any of them from owning capital stock or other interests in any corporation, firm, or association owning or operating, or from themselves owning or operating, the public cold-storage warehouses now maintained by the defendants or any of them at stockyards where said defendants or any of them now maintain packing plants, nor to prevent any of said defendants, directly or indirectly, from establishing, owning, maintaining, or leasing necessary cold-storage facilities or space required in good faith for the storage of commodities in which they or any of them may be interested, nor from renting space in any cold-storage warehouse directly or indirectly owned or leased by any of them to the public whenever such space is not in good faith required or needed by the defendants for their own use, nor from storing products for the public whenever the space used for that purpose is not in good faith required by the defendants for their own use.

8. That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from engaging in the United States, either directly or indirectly, jointly or severally, by themselves or through their officers, directors, agents, or servants, in the business of buying, collecting, selling, transporting, except as common carriers, distributing, or otherwise dealing in fresh milk and cream, and further perpetually enjoining and restraining said defendants and each of them by themselves or through their directors, officers, agent, and servants, from either directly or indirectly owning any capital stock or other interest in any corporation, firm, or association engaged in the business of buying, collecting, selling, transporting (except as common carriers), distributing, or otherwise dealing in fresh milk or cream; provided, however, that nothing herein contained shall be construed as preventing the corporation defendants or their subsidiaries from buying, collecting, and transporting fresh milk and cream to be used by them or any of them in manufacturing condensed or evaporated or powdered milk or oleomargarine or other butter substitutes, or butters, ice cream, cheese, or buttermilk, or to be used as feed or in combination with any commodity not specifically mentioned and described in paragraph 4 hereof, and further provided that nothing herein contained shall be construed as preventing said defendants from selling or otherwise disposing of milk and cream bought or collected for manufacture, when such sale or disposition is necessary to avoid waste.

9. That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, jointly or severally, by themselves or through their officers, directors, agents, or servants, engaging in, carrying on, or using any illegal trade practices of any nature whatsoever in relation to the conduct of any business in which they or any of them may be engaged.

10. That within 90 days after the entry of this decree such of the defendants as have interests in public stockyard market companies, stockyard terminal railroads, or market newspapers, shall file in this court, for the court's approval, a plan or plans for divesting themselves of all ownership or interest in: (1) Public stockyard market companies; (2) stockyard terminal railroads; (3) market newspapers; provided, however, that the court may, in the event that it deems such provision necessary in order to enable the defendants to divest themselves of their interests in public stockyard market companies and stockyard terminal railroads, upon reasonable terms, permit the individual defendants, or some of them, to retain an interest by way of stock ownership, or otherwise, in any public stockyard market company or stockyard terminal railroad, or in any corporation organized to take over such public stockyard market companies or stockyard terminal railroads or the stock thereof; but no defendant or defendants shall at any time, either individually or jointly, own a controlling interest in any such stockyards or stockyard terminal railroads. Within such period of time after the entry of this decree and the approval of said plan or

plans as the court may determine, the defendants shall, in good faith, completely divest themselves of all such ownership or interests in public stockyard market companies, stockyard terminal railroads, and market newspapers. If, within the time so fixed, the defendants shall not have disposed of said interests ordered by the court to be disposed of, and the court upon application shall determine that the defendants have been unable, despite due diligence, to dispose of the same upon reasonable terms, the court may extend the time during which such ownership, control, or interest may continue until the same can be disposed of.

11. That immediately upon the entry of this decree the defendants shall in good faith and with due diligence proceed to dispose of their interests in, and shall completely divest themselves (to the extent required by this decree) of all ownership of or interest in all public cold-storage warehouses and retail meat markets; but in no event shall the defendants, or any of them, make final disposition of any of their interests in such public cold-storage warehouses and retail meat markets without first obtaining the court's approval to such final disposition. If, within nine months after the entry of this decree, the defendants shall not have finally disposed of their interests in public cold-storage warehouses and retail meat markets, the Attorney General may apply to the court for an order specifying the time within which the defendants shall finally dispose of all said interests.

12. That immediately upon the entry of this decree the defendants and each of them shall commence to dispose of such commodities owned or handled by them as are described in paragraphs 4 and 5 of this decree and which are to be disposed of by them under this decree, and shall likewise immediately upon the entry of this decree commence to divest themselves of all interests which are to be disposed of by them as and to the extent required by this decree in firms, corporations, and associations, including departments of the business of any of the corporation defendants when any of such departments is sold as a going concern, manufacturing, selling, or otherwise dealing in any of the commodities so mentioned and described in paragraphs 4 and 5 of this decree, and shall continue in good faith to dispose of said commodities required to be disposed of hereunder, and to divest themselves of such interests required to be disposed of hereunder, as rapidly as may be consistent with the nature of the business and the seasonal nature of the merchandise involved, and that in any event the defendants and each of them shall completely dispose of said commodities and shall cease to manufacture, job, sell, transport, except as common carriers, distribute, or otherwise deal in the same, and shall completely divest themselves of said interests within two years from the date of the entry of this decree: provided, however, to the end that the provisions of this decree may be complied with, the approval of the court shall be obtained prior to the final disposition of said interests in firms, corporations, or associations manufacturing, selling, or otherwise dealing in any of the commodities mentioned and described in paragraphs 4 and 5 of this decree. At any time within said two years the Attorney General may apply to the court for an order or orders to compel the defendants, and each of them, to make report to the court as to the progress being made by them in disposing of said commodities and in divesting themselves of said interests.

13. That the purchaser or purchasers of the defendants' interests in any stockyard shall, as a part of said purchase, agree with such of the defendants as now maintain packing plants in said stockyards that for a period of at least 10 years after the date when such purchase shall be consummated, said purchasers, their successors or assigns, will continue to maintain and efficiently operate such stockyards and each of them, and such of said defendants as now maintain packing plants at any of said stockyards shall agree with said purchasers that during the same period of 10 years said defendants, their successors or assigns, will continue to maintain and operate said packing plants at the points where the same are now located, unless strikes, shortage of supplies or other causes beyond the control of either the purchasers, the stockyard companies, or said defendants shall prevent the carrying out of said agreement. Performance by either party shall be a condition concurrent to performance by the other.

14. That nothing in this decree contained shall be construed to prohibit anything that may be otherwise lawfully done by the defendants or any of them in the United States in connection with or for the purpose of export trade or foreign commerce or business of the defendants; provided, however, that nothing in this paragraph contained shall limit the effect of the injunction contained in paragraphs 4 and 5 of this decree.

15. That nothing contained in this decree shall be held to preclude the petitioner from proceeding against any or all of the defendants either civilly or criminally for any violation of any law in connection with the carrying on by them of the business of buying and selling poultry, butter, eggs, and cheese, or any other business or activity not specifically mentioned in this decree, nor shall anything contained herein prejudice the Government in any such proceeding, nor shall this decree interfere with or prejudice any legal rights, business, or activity of the defendants, or any of them, not prohibited or covered by this decree.

16. That for the purpose of (1) enabling the petitioner to ascertain whether the defendants are in good faith carrying out the terms of this decree; and (2) for the purpose of enabling the Attorney General to determine and advise the court whether in any transaction consummated or begun at any time prior to the entry of this decree the defendants, or any of them, have retained and now retain such an interest in or control over any public stockyard market company, stockyard terminal railroad, stockyard market newspaper, stockyard market journal, cold-storage warehouse, retail meat market, or corporation, firm, or association manufacturing, jobbing, selling, distributing, transporting (except as common carriers), or otherwise dealing in any of the commodities mentioned and described in paragraphs 4 and 5 of this decree, which would constitute a violation of this decree if the retention of such interest or control had been the result of a transaction consummated or begun subsequent to the date of the entry of this decree; and (3) for the further purpose of enabling the Attorney General to determine and advise the court whether any leases, contracts, or arrangements concerning their, or any of their distributing systems, made or entered into by the defendants or any of them, prior to the entry of this decree and in force on the day when it shall be entered are in violation of the terms thereof, then, in the event that the Attorney General in writing notifies the defendant or defendants concerned with respect to such alleged violation, reciting in reasonably specific terms the nature thereof, the corporation defendants are hereby directed to make full and complete discovery to the petitioner with respect thereto, and the corporation defendants are further directed to submit to the Attorney General or to any Assistant Attorney General by him duly authorized, all of their books, records, correspondence, or other documents in so far as the same refer to the alleged violation, and to furnish all information concerning the same.

17. That all sales, transfers, or other disposition made by any of the defendants since the 1st day of October, 1919, of any of their interests in public stockyard market companies, stockyard terminal railroads, stockyard newspapers or journals, public cold-storage warehouses and retail meat markets, or incorporations, firms, or associations manufacturing, jobbing, selling, transporting, except as common carriers, distributing or otherwise dealing in any of the commodities mentioned and described in paragraphs 4 and 5 of this decree, and all leases, contracts, or arrangements or other disposals made by any of the defendants since the 1st of October, 1919, affecting their delivery systems, shall be submitted by the defendants to the court for its investigation and determination as to whether the same were made in accordance with the spirit and purpose of this decree, in the same manner and with the same force and effect as though the said sales, dispositions, leases, contracts, or arrangements had been made subsequent to the entry of this decree.

18. That jurisdiction of this cause be, and is hereby, retained by this court for the purpose of taking such other action or adding at the foot of this decree such other relief, if any, as may become necessary or appropriate for the carrying out and enforcement of this decree and for the purpose of entertaining at any time hereafter any application which the parties may make with respect to this decree.

WALTER I. McCOY, *Chief Justice.*

FEBRUARY 27, 1920.

The defendants, Western Meat Co., Oakland Meat & Packing Co., Nevada Packing Co., and Fred L. Washburn, appear herein generally by Henry Veeder, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

HENRY VEEDER,
Attorney for above-named Defendants.

Dated 27th day of February, 1920.

The defendants, Wilson & Co. (Inc.) (N. Y.), Wilson & Co. (N. J.), Wilson & Co. (Inc.), of Calif. (Nev.), Wilson & Co. (Inc.), of Louisiana (La.), Wilson & Co. (Inc.), of Okla. (Oklahoma), South Dakota Provision Co., Gotham Hotel Supply Co. (Inc.), Standard Beef Co., Stiefel-O'Mara Co. (Inc.), Drexel Packing Co., Albert Lea Packing Co. (Inc.), Mississippi Packing Co. (Inc.), Morton-Gregson Co., Paul O. Reymann Co., Standard Provision Co., Central Products Corporation, Thomas E. Wilson, Arthur Lowenstein, Jacob Moog, Ponce De Leon Skipworth, Arthur L. Smith, James A. Hamilton, George D. Hopkins, Adolph E. Peterson, George H. Cowan, William C. Buethe, Carl F. Burrell, James C. Good, appear herein generally by Jewel P. Lightfoot, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

JEWEL P. LIGHTFOOT.
Attorney for above-named Defendants.

Dated Washington, February 27, 1920.

The defendants, the Cudahy Packing Co. (Me.), Cudahy Packing Co., of Nebraska, Cudahy Packing Co., of Alabama, Cudahy Packing Co. of Louisiana (Ltd.), Nagle Packing Co., Edward A. Cudahy, sr., Edward A. Cudahy, jr., Guy C. Shepard, John E. Wagner, Andrew W. Anderson, Emil A. Strauss, Frank E. Wilhelm, and George Marples, appear herein generally by Thomas Creigh, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in the cause without further notice.

THOMAS CREIGH.
Attorney for above-named Defendants.

Dated Washington, February 27, 1920.

The defendants Armour & Co. (Ill.), Armour & Co. (N. J.), Armour & Co. (Ky.), Armour & Co. (Tex.), Armour & Co. (Ltd.) (La.), The Anglo American Provision Co., The Colorado Packing & Provision Co., Fowler Packing Co., Hammond Packing Co., The New York Butchers Dressed Meat Co., Atlantic Hotel Supply Co. (Inc.), J. Ogden Armour, Charles W. Armour, A. Watson Armour, Laurence H. Armour, Arthur Meeker, Robert J. Dunham, F. Edson White, George M. Willetts, Frederick W. Croll, and George B. Robbins, appear herein generally by Charles J. Faulkner, jr., their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

CHARLES J. FAULKNER, Jr.,
Attorney for above-named Defendants.

Dated Washington, February 27, 1920.

The defendants Morris & Co. (Me.), Morris Packing Co. (Me.), Morris & Co, (N. J.), Morris & Co. (La.), Morris & Co. of Pennsylvania (Pa.), Joseph Stern & Sons (Inc.), Brooklyn Beef & Provision Co., Condit Beef & Provision Co., Corwin, Wilde Co., Donnelly & Co. (Inc.), National Hotel Supply Co., Chamberlain & Co. (Inc.), J. M. Wilson Co., Middletown Beef & Provision Co., Glenn & Anderson Co., Edward Morris, Nelson Morris, Louis H. Heymann, Charles M. Macfarlane, and H. A. Timmins, appear herein generally by M. W. Borders, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

M. W. BORDERS.
Attorney for above-named Defendants.

Dated Washington, February 27, 1920.

The defendants Swift & Co. (Ill.), Swift & Co. (W. Va.), Swift & Co. (Inc.) (Ky.), Swift & Co. (Ltd.) (La.), Swift & Co. (Me.), Swift Beef Co. (Me.), United Dressed Beef Co. of New York, J. J. Harrington & Co.

(Inc.), Bimbler Co., The G. H. Hammond Co., Omaha Packing Co., Plankinton Packing Co., Sturtevant & Haley Beef & Supply Co., E. K. Pond Packing Co., Van Wagenen & Schlckhaus Co., Western Packing Co., Hammond Beef Co., Omaha Meat Co., A. Canfield Commission Co., H. C. Derby Co., Metropolitan Hotel Supply Co., Vermont Supply Co., The Hotchkiss Beef Co., New England Dressed Meat & Wool Co., North Packing & Provision Co., The Sperry & Barnes Co., John P. Squire & Co. (Me.), John P. Squire & Co. (Inc.) (Mass.), John P. Squire & Co. (Inc.) (R. I.), Springfield Provision Co., White, Pevey & Dexter Co., Louis F. Swift, Edward F. Swift, Charles H. Swift, Gustavus F. Swift, jr., Harold H. Swift, Alden B. Swift, George H. Swift, Laurence A. Carton, Frank S. Hayward, Charles A. Peacock, Wilfred W. Sherman, Wellington Leavitt, John M. Chaplin, and William B. Traynor, appear herein generally by Henry Veeder, their attorney, and do hereby consent that the foregoing decre may be entered herein upon the stipulation of the parties filed in this cause without further notice.

HENRY VEEDER.
Attorney for the above-named Defendants.

Dated Washington, February 27, 1920.

A. MITCHELL PALMER,
Attorney General.
ISIDOR J. KRESEL,
JOHN H. ATWOOD,
JOSEPH SAPINSKY,
Special Assistants to the Attorney General.

Mr. BORDERS. The packer is between the producer and the consumer. We can not satisfy all of the producers, some millions of them, and pay them costs plus a profit, and then sell to the 100,000,000 people and give them cheap meat. It can not be done.

Mr. YOUNG. While on that decree, since the packers have agreed to go out of the unrelated lines, such as the wholesale grocery trade, I want to know why the decree did not go a little further and put you out of the oil business?

Mr. BORDERS. I think we will be very glad to go into that matter fully when we come to a presentation of our line of testimony, if you want it done. But I want to say this now, and I challenge contradiction: When they are taking shots at decrees, let me say that this decree goes further and accomplishes more than could have been accomplished by any litigation or legislation, because I believe the law of this country is that a man can engage in two activities. Just think that over when you are considering this matter of the consent decree. I make that statement and challenge anybody to dispute it successfully.

Mr. YOUNG. That may be true; but if I am correct in my view of what public policy should be in these matters, that view is that it is not sound public policy to permit the packers or anybody else—whether there is any prejudice against the packers as such or not—to allow any great combination of capital to go out and take over unrelated industries, such as the case I have mentioned—the oil business. Whether we could enact a law to prevent certain things or not, if you attempt to have a consent decree, and in that consent decree you say something shall not be done, why not provide for this other? As I see my duty as a Congressman, believing in the policies I am discussing, it would be to write a law to prevent any organization of gentlemen or combination of capital from going out and absorbing various industries of the country. I have a deep conviction on that proposition as a matter of public policy.

Mr. BORDERS. Mr. Young, I do not want to take up the time of this committee to go into a thorough discussion of that at this time, but I do want to say this: As to wholesale groceries, that was the center of the fight; and the claim was made that we were threatening to monopolize the American food table, and yet the combined business of the five packers amounted to 3 per cent of the business. You know there is a lot of talk about these things, and when you get down to the facts they are very different.

Mr. ANDERSON. You were not hurt very much by going out of that business, then?

Mr. BORDERS. I will be very glad to answer that if you want me to do so: Here is the situation, Mr. Anderson, that I think this packing business ought to be studied from an economic standpoint, and from no other, because the packer does perform a very important work for the people of this country—transmuting the live meat animal into food and distributing it in the consuming centers. And in this connection bear this in mind, that here should be the interest and is the interest of the packer: It is to his selfish interest to pay enough for the live meat animals to encourage production. It is not in his interest that those producers should lose money. On the other hand, it is to his interest that consumption should be encouraged. If it falls off, production falls off, with resultant higher prices.

Now, Mr. Young, think of this proposition: Everybody here has said that it is to the best interest to have the packing houses located near the sources of production, because it saves to the producers shrinkage and freight charges, and those things mean waste. Now, the great consuming centers are on the Atlantic seaboard, a thousand miles away. These big packers that you talk about disintegrating and bringing in little fellows, what are they doing? Let us remember that the big packers are expected to clean up these yards, and that means money. After the meat animals are slaughtered the meat has to be transported, a highly perishable product, a thousand miles or more.

Mr. YOUNG. Is it any more perishable than what we have to ship on the hoof from Texas thousands of miles?

Mr. BORDERS. There are a lot of difficulties that we must approach honestly and carefully, and we must proceed on that theory.

Mr. LASATER. Now, Mr. Chairman, let me finish.

Mr. BORDERS. Mr. Lasater, you asked me a question, and I will ask you to pardon me a moment to finish this. I grant you that when an animal is prepared for the market and taken there he must be sold. On the other hand, when he is transmuted into meat and shipped to the Atlantic seaboard and gets there the meat must be sold within a few days.

Now let me make clear to you the point about outside lines: It takes a lot of money, Mr. Congressman, to maintain refrigerator cars, branch houses, and so on, for the sale of meats. You and I, I think, could agree that we are distributing this meat to best advantage, if you please, and I wish we could arrange it along the lines of not having to distribute it a thousand miles over on the Atlantic seaboard. It takes a large amount of money to do that, and if in some seasons of the year our men are not occupied there is an economic waste. Who bears that waste? Now, if these men have these

groceries that will occupy their time, they are kept busy, and the profits from the groceries go into the final profits of the packing house and avoids what would otherwise be a loss or an extra expense. Now, if you take away those profits and render the men in our organization idle, I say to you that it is just as clear as 2 and 2 are 4 that there will be an economic waste and somebody must pay for it. So that when anybody is inclined to talk lightly of this decree he should think of that.

Mr. ANDERSON. What was your volume in 1916?

Mr. BORDERS. Do you mean in dollars and cents?

Mr. ANDERSON. Yes.

Mr. BORDERS. I do not recall.

Mr. ANDERSON. What proportion of that volume of business was grocery business?

Mr. BORDERS. Oh, very small.

Mr. ANDERSON. How many branch houses did you have in 1916?

Mr. BORDERS. I think about a hundred and something. I will be glad to get that and read it into the record.

Mr. ANDERSON. Never mind taking the time to look it up now. My recollection is about one hundred.

Mr. BORDERS. Yes, sir; about that.

Mr. ANDERSON. You never found out until about the time the war began that you had to have this grocery business in order to keep your branch houses going?

Mr. BORDERS. Well, we had even then, Mr. Congressman, the situation that there was at certain times slack business, and there are slack seasons in this business always, whether before the war or after the war. But we had never gotten into the grocery business to amount to anything.

Mr. ANDERSON. Isn't this the history of the proposition: That Armour & Co. were the first people to get into the branch-house business?

Mr. BORDERS. Into the branch-house business?

Mr. ANDERSON. They were the first ones to get into the branch houses extensively?

Mr. BORDERS. To handle groceries through branch houses, do you mean?

Mr. ANDERSON. No; to handle beef.

Mr. BORDERS. I think my company opened up in 1885.

Mr. ANDERSON. I think Armour & Co. developed at least the grocery business through the branch-house end of it?

Mr. BORDERS. Yes, sir.

Mr. ANDERSON. And Armour & Co. had at that time the largest proportion of branch houses, and Swift & Co. adopted another policy and began handling groceries through Libby, McNeil & Libby, and through others. They were forced into the business largely by the action of Armour & Co.; and the others were afterwards forced into the business also. And all of you were being forced into it by economic conditions or through the influence of your competitors who were engaging in the business. In order to stay in business you had to go into it.

Mr. BORDERS. If my understanding is correct they would have an advantage.

Mr. ANDERSON. The thing we are afraid of is that those conditions, whether we like it or not, and giving you credit for fair motives, would have resulted in giving you an increased proportion of the grocery business?

Mr. BORDERS. That is all eliminated now more effectively than it could have been done by legislation. In fact, I do not think it could have been eliminated by legislation; as a lawyer I do not think so. But we met the demands of the Government, as we wanted to meet public opinion, and there is no business in the world as sensitive to agitation as the packing industry. Some men who were here cited the fact of the effect of this agitation in the selling of their herds. This agitation ought to be ended. During the war Europe was buying our meats, but now there is no comparison between the Government control during the war and present conditions, because then Europe was buying our meats; they are not buying them now. Look at the demoralized condition of the exchange. The Government encouraged production during the war, and properly. The Government discouraged consumption during the war, and properly, and these men ought to know that that affects them. Consumption was discouraged and production encouraged, and then the war ended quickly. The exchange goes to smash, with no European purchases, and how can we control the situation?

The CHAIRMAN. Mr. Lasater, you may now resume your statement.

Mr. MCISAAC. I have seen brief statements made by the packers on the situation of the unrelated lines: One was that they first went into those lines to accommodate customers who were getting meat and who demanded or requested that the packers should supply them. Another was that they went into the unrelated lines, because it enabled the packers to sell meats cheaper to consumers. After this decree was entered I saw a statement to the effect that the packers were not making any money out of the unrelated lines anyhow, and they were reassuring the financial world that there was nothing to fear from it. Which of these two statements is correct?

Mr. BORDERS. Touching on the financial end of it I think you possibly appreciate the fact that the packers are the biggest individual borrowers in the world. They borrow that money to pay the producers in cash. I have seen no such statement as you have mentioned: that is, that the reason was to accommodate their patrons as to the underlying first reason. Of course, that has been one of the reasons, but in the way you put it I assume that it was the first and underlying reason. I never saw that.

Mr. MCISAAC. Mr. Swift made that statement.

Mr. BORDERS. I know nothing about Mr. Swift. We are separate and apart from Swift & Co.

Mr. MCISAAC. Well, the packers individually may still retain a certain interest in the unrelated lines, may they not?

Mr. BORDERS. As individuals, either singly or collectively they can not own up to a controlling interest in any wholesale grocery proposition.

Mr. MCISAAC. What is that interest that they can own, 45 per cent?

Mr. BORDERS. Well, something like that.

Mr. VOIGT. Well, as I understand it, it may not exceed 50 per cent, and therefore it might be 49.9 per cent?

Mr. BORDERS. Let me make this statement on that: Of course, you appreciate this fact that the one thing important was the distributing system, and this decree fixes that as tight as it could be fixed, that even if individuals they go into this business they can not use the distributing systems of the packers to transport goods. I want to make that statement because that was the crux of the whole proposition—was the distributing system. You can examine this decree and you will find that.

Mr. VOIGT. I understand that feature of the decree, that you can not use your distributing system for the unrelated lines.

Mr. BORDERS. No, sir.

Mr. VOIGT. You say the packers went into the grocery lines and other unrelated lines because for a part of the year their distributing system might not be busy, and it would keep it going?

Mr. BORDERS. That is true.

Mr. VOIGT. You are also using that same distributing system for the unrelated lines during the busy season, are you not?

Mr. BORDERS. Of course, to some extent.

Mr. VOIGT. You do not mean that the grocery business fluctuated with the meat business?

Mr. BORDERS. Certainly not. You take the branch houses; if we have supplies of groceries on hand, of course, they will be supplied to the customers.

Mr. VOIGT. During the busy season you are required to increase your force of employees in order to handle the unrelated lines?

Mr. BORDERS. We have never found that we had to do that particularly. It takes a certain organization to handle the business.

Mr. ANDERSON. Do you handle it from branch houses or by the peddler car?

Mr. BORDERS. No; the peddler car is what we call the route car. I think the "peddler" end of it is a misnomer. In those towns and cities that are large enough to establish branch houses, we have them. There are small cities in this country not large enough to justify branch houses.

Mr. ANDERSON. Do you keep the canned goods in these branch houses?

Mr. BORDERS. We do not now; we are out of the business.

Mr. ANDERSON. Did you?

Mr. BORDERS. I think, to some extent, we did.

Mr. ANDERSON. To a very large extent?

Mr. BORDERS. I do not know what Armour and Swift did. In order to reach territories in this country where the cities are not large enough to maintain branch houses and so that the people can get the packer meat, and that is the only reason, in order that we may sell the producers' meat, we have what you call the peddler car, but which we call the route car. "Peddler" is a misnomer, because it gives the impression that we start out to peddle the stuff. We take orders. We have a regular route. Say, on Wednesday, we will make this trip to these towns. In the meantime the orders have come in. That car comes along and merely fills the orders. It is not a peddler car in the sense that the meat is sold from the car as it travels the route.

Mr. YOUNG. It is sold before it leaves your establishment?

Mr. BORDERS. Yes, sir. We have an order and the car simply goes out and delivers the meat that has been ordered; and the evidence before the Senate committee, Mr. Congressman, was that the men on the ranch would sell their cattle, say, in St. Paul, and then buy back packer meat cheaper than they could slaughter it on the ranch.

The CHAIRMAN. Mr. Lasater, you may go on.

Mr. LASATER. I will take just a few moments.

One reason why I am not as enthusiastic over court decrees is this injunction that was granted in 1903. I wish to read half a dozen lines.

By directing or requiring their respective agents (*a*) to refrain from bidding against each other in the purchase of live stock; or (*b*) collusively and by agreement to refrain from bidding against each other at the sales of live stock.

I do not think that there is a producer of live stock who has been on the market from 1903 to now that has the faintest opinion that that in any way has been made applicable to his situation. We all know that they have done what they were enjoined from doing by that decree.

Now, just one moment in closing.

Where we think a great saving will be made as between the producer and the consumer is, if we can create these smaller packing centers throughout the country, instead of shipping our stock to these concentrated markets and command from the small centers to the centers of consumption the same service at the same rate that the packer commands, we will save untold millions in shrinkage and bruises that now take place with all live stock.

I think it will certainly appeal to the judgment of anyone that it is better for a thousand slaughtering units to divide the earnings of the packers than to have them concentrated in five hands. I have convinced myself from studying this matter that the concentration of cattle in a few great markets is not economical, and if you can permit us to command transportation service at the same cost and the same quality of service that this big aggregation now commands, I do not fear of their being a menace to the country 10 years hence on account of size. I thank you for your attention.

(Thereupon, the committee took a recess until 2.15 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to the recess at 2.15 o'clock p. m.

STATEMENT OF MR. BENJAMIN C. MARSH, SECRETARY AND DIRECTOR OF LEGISLATION, FARMERS' NATIONAL COUNCIL, BLISS BUILDING, WASHINGTON, D. C.

The CHAIRMAN. Mr. Marsh, are you ready to go on?

Mr. MARSH. I am ready Mr. Chairman. Shall I give my full name and position?

The CHAIRMAN. Yes. Please.

Mr. MARSH. Benjamin C. Marsh, secretary and director of legislation of the Farmers' National Council, with headquarters here, in the Bliss Building.

I will say briefly that the Farmers' National Council is a special union to carry out the Farmers' National Reconstruction Program.

adopted here a year ago last January, of farm organizations with a membership of about three-quarters of a million farmers, and that Mr. George P. Hampton, the managing director of the Farmers' National Council, will be here on Monday morning and go into some detail as to the organization of the Farmers' National Council and the significance of their advocacy and support of legislation adequate to control the meat-packing industry; and, in the meantime, with this not large representation of the committee, I shall take pleasure in trying to convince the entire committee of the need for certain specific measures and definite legislation to control the packers.

I want to say that I will admit frankly, even although the constant attendance of representatives of the packers and their counsel seems to be interrupted this afternoon, that I do not know the details of the meat-packing business, which are carefully kept secret, but in the statement which I will make this afternoon I think we make it clear from the admissions of the packers themselves and from official, and, so far as we know, undisputed statements that this legislation that is proposed is needed.

First, I would make the point that the packers admit themselves that they want a monopoly and are seeking a monopoly.

With your permission I will read very briefly and hope the committee will not be alarmed at the large number of books here, because I shall only read very briefly from them. In the first volume of the hearings on the meat-packing industry on Senate 5305, before the Senate Committee on Agriculture last year—1919—Mr. Heney cross-examining Mr. Armour asked this question:

Mr. HENEY. And was it your theory that it was a good thing for the country, for the consumers as well as the packers, that the packing business should be monopolized into one corporation which would make a monopoly, would it not?
Mr. ARMOUR. Yes.
Mr. HENEY. Was that your idea?
Mr. ARMOUR. Yes; I think so.
Mr. HENEY. Is that your belief; that that would be an ideal condition?
Mr. ARMOUR. Why, yes; we thought that by doing that we could save many, many millions of dollars lost in the duplication of the business, even the duplication of the business as it is done to-day.

Also, I call your attention to the fact that Mr. Armour, when questioned as to what proportion of the business and all the ramifications of Armour & Co. he owned himself, said in reply to Mr. Heney's question:

Mr. HENEY. Seventy per cent of it?

Mr. Armour answered:

Mr. ARMOUR. Do you want the actual amount? Seventy per cent of it; yes, sir.

Mr. Swift similarly admitted that he wanted to have a monopoly. He said in this hearing, volume 2, page 1142, in answer to the following question by Mr. Heney:

Mr. HENEY. What did you buy up the portion of the National Packing Co. concern for that Swift & Co. bought up at the time you were arranging for a merger? Was that so as to create competition or to do away with competition?

And Mr. Swift's answer was:

Mr. SWIFT. The object was to put them together in a large company like the United States Steel Co. was done.

Now, Mr. Chairman and gentlemen of the committee, I think that makes it perfectly clear what the packers are trying to do and why they have followed the methods they have.

I am going to read a statement with reference to Congressman Rainey, of Illinois, with your permission, at this point, as he is now present. I think it would be only proper, if I may interrupt this statement, to read you a letter sent out to-day by Mr. George P. Hampton, managing director of the National Farmers' Council, to Congressmen Mondell and Kitchin, majority and minority leaders, respectively, of the House of Representatives. The following is the letter:

MARCH 5, 1920.

Hon. FRANK W. MONDELL, *Majority Leader*,
Hon. CLAUDE KITCHIN, *Minority Leader*,
The House of Representatives, Washington, D. C.

GENTLEMEN: On behalf of the three-quarters of a million farmers united in the Farmers' National Council to carry out their reconstruction program adopted at the reconstruction conference held in Washington, D. C., January 1919, we ask that you would kindly inform us why Mr. John W. Rainey, of Chicago, Ill., from the packing-plant district, was placed upon the House Committee on Agriculture?

Mr. Rainey was the third Congressman from Illinois to be placed upon the House Committee on Agriculture, there being one other Representative from Chicago, Congressman Wilson, and a third Representative from the State Mr. McKinely, of Champaign, Ill. Pennsylvania has two representatives, and 16 other States and Hawaii are represented on the committee by one member.

A large proportion of the committee come from cities of considerable size. Are not the interests of agriculture of sufficient importance so that in making assignments to the Committee on Agriculture the farmers are considered entitled to be represented by farmers, or at least by men from agricultural districts?

We should particularly like to know the reason for Mr. Rainey's appointment on this committee, about October 8, after it was known that the legislation to control the meat packers was referred to this committee, since from the first hearing before this committee Mr. Rainey has seemed to be a defender and almost an attorney for the packers.

Yours, sincerely,

GEORGE P. HAMPTON,
Managing Director.

Mr. RAINEY. Signed by whom?

Mr. MARSH. George P. Hampton, managing director of the National Farmers' Council.

Mr. RAINEY. All right; he wants to know why?

Mr. MARSH. Yes.

Mr. RAINEY. Let me tell you, then.

Mr. MARSH. He will be here Monday, but perhaps——

Mr. RAINEY (interposing). I would like to have the statement in the record right here. First, I should not dignify him with an answer, but as long as the question has come up, I am going to ask you, coming from that district, where all the large packers and the independent packers, a great number of them, do business, are not the people of that district entitled to representation on this committee?

Mr. MARSH. Of course it is a rich agricultural district; no doubt about it. May I answer? You asked me the question, pardon me.

Mr. RAINEY. Yes.

Mr. MARSH. If the two parties do not regard the farmers of America as worthy of being represented by men from agricultural

districts on the House Committee on Agriculture, then they will have a job to make the reason why clear to the farmers of America.

Mr. RAINEY. Now, that is No. 1. Number 2, when I came to Congress, it was my desire and I requested to go on the Interstate and Foreign Commerce Committee; No. 3, I wanted to go on the Naval Affairs Committee; No. 4, I wanted to go on the Military Affairs Committee. The man who preceded me from my district was a member of the Agricultural Committee, and the man who preceded him was a member of the Agricultural Committee. Why the members who have to do with the appointments to these various committees put me on here, I do not know. Personally, I had no desire to be on this committee. My preference heretofore has been other committees, but now that anybody attempts to criticise my appoinment on this committee, I am very happy to have the appointment and I intend to remain on this committee.

Mr. MARSH. I should imagine so.

Mr. RAINEY. Next—there was one other query in that letter which I do not recall.

Mr. MARSH. I hand you a copy of it for your convenience.

Mr. RAINEY. They would like particularly to know the reason for Mr. Rainey's appointment on the committee about October 8. I presume that is October 8, 1919.

Mr. MARSH. Yes.

Mr. RAINEY. I will tell you the reason. When the House changed its complexion and the Republicans obtained a majority of the Members of the House, the personnel of the Agricultural Committee was changed, the Republicans taking majority and the Democrats minority appointments. Consequently, I was left off, with some others, I do not know whom but I think, Mr. Chairman, the appointments are made according to seniority. We had, I do not know how many Democrats, but nevertheless myself and some other Members were left off; then Mr. Lever, who was the ranking member on the Democratic side, resigned and received a Government appointment. That moved up our colleague, of blessed memory, Mr. Thompson, and Mr. Thompson succeeded Mr. Lever, and then Mr. Thompson was called to his reward, and the natural consequence was that I was returned to this committee. I have no apologies to offer to anybody about being on the committee, and I am very happy to be here, and while a member of this committee it will be my purpose and my endeavor, and I deem it my duty, to see that all industries in my district, whether they are packers, large or small, or industries of any kind, that come before this committee, shall have absolutely fair play. I do not offer that by way of explanation to dignify this gentleman, but as long as you thought it advisable at this particular time to inject into the hearing this letter, I am very happy to give you the information sought.

Mr. MARSH. Of course, it does not meet the situation, as you appreciate, Mr. Chairman, because you can never convince the farmers of America as you, being from an agricultural State, know that Chicago is an agricultural city, and you can never convince 40 per cent of the American population that their farmers are not entitled to their own representatives on the Committee on Agriculture.

Mr. RAINEY. Then answer this question: If it were not for Chicago and the packers taking care of the produce and the cattle of the farmers, what would become of the farmers?

Mr. MARSH. Well, apparently, despite this tender solicitude on the part of the packers, which you are referring to, Mr. Congressman, the live-stock growers are going to quit growing live stock as fast as they can. I am going to put quite a little testimony in on that point this afternoon.

Mr. RAINEY. That has already been put in here.

Mr. MARSH. Yes; there have been a great many hearings. If I remember correctly, you read on the first day into the record, Mr. Rainey, in dicussing the feasibility of any legislation, this long list of hearings, and the American people are saying, "For God's sake, who owns Congress, then, that we do not get some remedial legislation," and they are going to shout that at the next election.

Mr. RAINEY. But I want you to answer my question what the producer would do without the packer?

Mr. MARSH. The producer without the packer would get along a great deal better than the packer without the producer, and the producer would rapidly develop his independent and cooperative packing plants, and I shall read to you Mr. Swift's statement as to the impossibility of the little man—I won't attempt to quote him exactly, but I have his words here—getting along as long as the packers own the refrigerator cars. In other words, the little farmer and cooperator wants a chance and he wants to know how he can get it.

Mr. RAINEY. You understand that my position here is in a quasi-judicial capacity.

Mr. MARSH. I hope it will prove so.

Mr. RAINEY. I want to hear both sides of the question. I am not here to be interrogated or I am not on trial. I am here as a Member of Congress to try to perform my duties as I see them——

Mr. MARSH. And I am here, as I have referred to——

Mr. RAINEY (continuing). And decide on legislation as it appeals to me, and I resent any suggestions, criticisms, or attacks by the gentleman who is responsible for this letter or from any other farmers' organization. I offer no apology for my membership on this committee and I have tried to acquit myself as favorably as I know how, and let me reiterate once again that no member on this committee from any agricultural district has voted more consistently for legislation and appropriations beneficial to the farmers. Let that be my answer.

Mr. MARSH. And I will conclude my statement, then, as the Congressman has concluded his, with this statement: That on behalf of the farmers associated in the Farmers National Council, and I may add, knowing as I do the sentiment of hundreds of thousands at least of other farmers that they would like to know why the farmers can not be represented by farmers on the Committee on Agriculture, or at least by men from agricultural districts instead of by men from Chicago, and the farmers have adopted a slogan to put a whole lot more farmers here in Congress next fall.

The CHAIRMAN. Mr. Marsh, I will ask you a question there.

Mr. MARSH. Yes; certainly.

The CHAIRMAN. To whom was this communication directed?

Mr. MARSH. This communication of Mr. Hampton's was formally sent to the majority and minority leaders, namely, Congressmen Mondell and Kitchin. Mr. Hampton also addressed a letter to the Secretary of Agriculture, Mr. Meredith, inclosing a copy of his letter, which I have read into the record, asking whether the council may not count upon his cooperation in securing a fair representation for the farmers upon the one committee of the House particularly charged with protecting the rights of the farmers.

The CHAIRMAN. In order that it may be made clear in the record I will ask Mr. Rainey to state who determines these appointments of the Democratic members of the House?

Mr. RAINEY. I think the Ways and Means Committee.

The CHAIRMAN. Do you mean the minority members, or the whole committee?

Mr. RAINEY. I think it is the committee on committees.

The CHAIRMAN. Is it not a fact that on the Republican side it is determined by a committee on committees?

Mr. RAINEY. I believe so.

The CHAIRMAN. But on the Democratic side, by the minority members—the Democratic members—of the Ways and Means Committee.

Mr. RAINEY. I think you are correct in that.

The CHAIRMAN. Are not the minority members of that committee responsible for your appointment as they determined that?

Mr. RAINEY. I think you are correct.

The CHAIRMAN. And the committee on committees determined the membership on the Republican side.

Mr. RAINEY. That is true. Mr. Chairman, may I ask you a question?

The CHAIRMAN. I put that in so as to have the matter correct in the record.

Mr. RAINEY. I am very happy you did so. Mr. Chairman, you are more familiar with the personnel of the membership of this committee than I am. We have about 21 members on this committee, have we not?

The CHAIRMAN. Twenty-two members.

Mr. RAINEY. About how many of the 21 are farmers?

The CHAIRMAN. I can not state positively.

Mr. RAINEY. I think I do not exaggerate when I say about 16 or 17 of them are engaged in farming or come from agricultural districts. Now, I would like to ask the gentleman whether he thinks, for instance, take the Banking and Currency Committee, that all the members on that committee should be bankers.

Mr. MARSH. No; I think the bankers have controlled that committee enough without being entirely represented by bankers. I think there should be a representative of the sufferers from the banking system on that Committee on Banking and Currency; that is, the general public as well; but that committee deals with a subject affecting varied and diversified interests. The Committee on Agriculture does not legislate—it is the committee responsible for reporting out or declining to report out bills directly affecting agriculture.

Mr. RAINEY. How about the Committee on Interstate and Foreign Commerce and the Interstate Commerce Commission that deals with the railroads, do you think all the members should be railroad men?

Mr. MARSH. No; I do not think the railroads should succeed in getting all the corporation lawyers in Congress on that committee, and they ought not to be entirely so composed.

Mr. RAINEY. Is it your contention——

Mr. MARSH. It ought to be generally representative.

Mr. RAINEY. Is it your contention if I say that 16 members of this Committee on Agriculture are farmers or from agriculture districts—do you think then that the farmers are well represented on the committee?

Mr. MARSH. I am going to refer you back to the text of Mr. Hampton's letter, because our suggestion was not exclusively that there be 16 farmers. In the present Congress I think there are not as many as 21 farmers. In the last Congress, my recollection is there were in the House about 17 or 18 farmers.

Mr. RAINEY. You mean of the entire membership of the House?

Mr. MARSH. Of the entire membership of the House.

We suggest that there should be representatives from agricultural States or farmers. Now, there are certainly more than 18 agricultural States out of the 48, and certainly Chicago is not an agricultural district, although the packers are there. That we concede, and we are claiming that the farmers have a perfect right, and it is the duty of Congress to see that the agricultural States are represented on this Committee on Agriculture.

Mr. RAINEY. And it is your contention that the fourth congressional district of Illinois should have no representation on the Agricultural Committee?

Mr. MARSH. I do not know why the fourth congressional district of Chicago should have representation from the point of view of the public. Of course, from the point of view of the packers, I appreciate the significance and advantage.

Mr. RAINEY. Not only——

Mr. MARSH. Pardon me; I decline to be interrupted, with the permission of the committee.

Mr. RAINEY. I do not desire to interrupt you. I want you to go just as far as you care to.

Mr. MARSH. Thank you very much. We contend that the fourth district of Chicago is entitled to certain representation on certain committees. That is not our business, but we do demand that the farmers of America begin to get a little consideration at the hands of Congress, because you know and I know, even although you come from the fourth congressional district of Chicago, you know that agriculture is in a precarious condition to-day. It has been shown here, and I am going to read a lot of other testimony showing that the farmers, a lot of them, are losing money and are quitting the farms, and 24,000, approximately, quit farming in New York State last year, and things are getting worse and worse for them, and they are going to insist that they begin to have a little consideration at the hands of both the Republican and Democratic Parties, and they know that this packer menace is one of the great obstacles to reasonable profits for the farmers. We shall demonstrate that.

Mr. RAINEY. You mean not only the producers and the packers, but that the consumers as well, should be represented on the Agricultural Committee?

Mr. MARSH. There is a Committee on Labor. I do not see why it will be necessary for a lot of farmers to be on the Committee on Labor. It has never been done. Now, we were perfectly willing, if you care to have it, for a small representation of the general public on the Committee on Agriculture, but there are a number of small towns and members from small towns in agricultural States. Why was Chicago signally picked out for two members on this committee?

Mr. RAINEY. That is a rather difficult thing for me to tell you. I had suggested my desire of appointment on other committees. I never requested the Agricultural Committee. I presume it was given me because my predecessor, who died while he was in office, was a member of the Agricultural Committee; but I believe that without the district I represent the producers would be in a bad way, and I feel that if any district in the United States should have representation on the Agricultural Committee, it should be the fourth congressional district of Chicago, which I have the honor and the distinction to represent.

Mr. MARSH. Very well; if the Democratic Party or the Republican Party can make it clear to the farmers of America why the agricultural States are not entitled to representation, we should be pleased to hear from them.

Mr. RAINEY. I feel there is more than the farmer to be considered in these questions of legislation, and I would not only have them make it known to the farmers, but I would have it made known to the 110,000,000 of Americans who are interested in this question.

Mr. MARSH. I am very glad you realize that. We have never failed to realize it ourselves, and you will be interested to know that the Farmers National Council is undertaking and has formed a farmer-labor congressional committee to fight in the next campaign, indicating that we appreciate our solidarity and our fundamental interest with all other workers in America and that our common enemies are the predatory interests. I do not think you can give us any pointers on solidarity of interest between all the workers in the fields and farms and factories and railroads and mines of the country.

Mr. RAINEY. I am not trying to give you any pointers. I think you could receive some and they might be very beneficial to you, but I want to say in reply that you can not give me nor the people of my district any pointers.

Mr. MARSH. I may be there and see if I can.

Mr. RAINEY. I welcome you, sir.

Mr. MARSH. May I now continue and just read into the record this little charge suggesting a valuable thing the committee could do.

If I remember correctly, it was Senator Sherman, another Illinois Member, who put in a request to the Federal Trade Commission, in effect as to what dealings they had had—well. I think I could give it to you here exactly, "especially with the ministry of reconstruction of Great Britain."

May I read this answer? It is a letter from Commissioner Fort to Commissioner Murdock, dated Spring Lake, N. J., July 19, 1919. Addressed to Commissioner Murdock, Federal Trade Commission, Washington, D. C.:

MY DEAR MURDOCK: I have your letter inclosing copy of the Sherman resolution, copy of the report of the Export Division of the Federal Trade Commis-

sion, for my amendment or approval, and your request that I make individual reply to the matters covered by the Senate resolution.

In the allotment among the commissioners of the work in the commission, the export division prior to my illness in April, 1919, was directly under my supervision, and the report of Dr. Notz for the division seems to be a complete summary of its activities in relation to export trade in packing-house products.

I have had no correspondence with any British official on the subject of import or export trade or on the meat business of American packers. I have had no communication, even remotely, connected with that.

The only incident that I recall having to do with the American packers' export trade was at the time that the Federal Trade Commission called for a report as to the operations of the foreign business of the packers. At this time Mr. Levy Mayer, representing Armour & Co., said to me that the real reason that the returns should not be made was that it might involve very heavy additional payments of income tax to the United States Government on the part of his client, and likewise might lead to taxation in Argentina and other foreign countries.

Mr. Mayer exhibited a list of a number of companies doing business in Argentina. As you remember, I was very much outraged at the suggestion that I could or would be party to the defrauding of this Government, or, being a Government official, would be party to a deception on a friendly foreign Government. As you remember, I reported the circumstances immediately to my colleagues, and further discussion of the matter of the returns of the foreign branches of the packing companies was terminated, and I am informed the desired information was demanded and secured without any further delay.

This, I think, covers all my recollections of anything touching on foreign trade of the packers, or the other things covered by Senator Sherman's resolution.

With best regards to you and your brethren, I am,

Very truly, yours,

JOHN FRANKLIN FORT, *Chairman.*

Now, Mr. Chairman and gentlemen of the committee, here you have a representative of the Federal Trade Commission charging what is certainly a misdemeanor, if not a felony, on the part of Armour & Co.

We respectfully ask whether this committee will direct or will have introduced a resolution directing the Attorney General or state or else inquire of the Attorney General whether he has taken any steps to secure the punishment of this company which has been guilty of attempting to defraud the Government; that is, whether the Attorney General will institute proceedings to prosecute Armour & Co. for this attempted defrauding of the Government. We understand that the Attorney General tried to whitewash the packers so as to prevent any legislation to control them. This is a different case from the decree. There the Attorney General commends the packers and exonerates them from all crime. Here [exhibiting] I have my income-tax return. I am a poor man. Were I to attempt to defraud the Government out of $5 I can see the Attorney General getting after me. Here you have the Attorney General not doing anything, if I am correctly informed, regarding the packers.

Will the committee request Messrs. Chase and Tator, the expert accountants of the Federal Trade Commission, who worked on the packers' profits, to come here and testify as to how the packers have manipulated their books? If you do that and get other employees of the commission you will find out the real animus for Senator Watson's resolution to investigate the employees of the Federal Trade Commission, why he is attempting to have that investigation conducted in Chicago, for all I know, in the fourth district, so

ably represented here on behalf of the packers as admitted by Mr. Rainey at this time.

Mr. RAINEY. I take exception to that.

Mr. MARSH. You can let the record speak for itself.

Mr. RAINEY. You said "admitted by Mr. Rainey." That statement is not true.

Mr. MARSH. Did you ever hear the statement, "actions speak louder than words"?

Mr. RAINEY. Yes, sir. Judging from yours, I think they speak volumes.

Mr. MARSH. I make this practical suggestion, that this committee, knowing how the farmers are oppressed by high taxes, ask the Attorney General—I think it would be most appropriate for the resolution to be introduced by Mr. Rainey, from the fourth rich agricultural district of Chicago, asking the Attorney General of the United States why he does not prosecute these men guilty of trying to defraud the United States Government. Here is a practical opportunity. Will you invite Mr. Chase and Mr. Tator, accountants of the Federal Trade Commission, and others to come and give you the facts which will show you why Senator Watson, of Indiana, is now to seek this investigation of the Federal Trade Commission experts away from the seat of the Government and take it out to Chicago, the packers' paradise? It would be very interesting information.

Mr. RAINEY. Why do you not ask Mr. Anderson? He is responsible for this bill.

Mr. MARSH. I submit this to the chairman and members of the committee, that to Mr. Rainey, who has indicated his sympathy for the farmers, I suggest some practical thing. Mr. Anderson has demonstrated his sympathy by introducing this bill. I undertake to say that every farmer in the country knows that Mr. Anderson's fight against the packers will probably be used against him, because Mr. Anderson has stuck to his guns. You have the same glorious opportunity.

Mr. RAINEY. You have already stated you were going to use your efforts against me?

Mr. MARSH. I beg pardon, I said nothing of the sort.

Mr. RAINEY. You said you would be out there.

Mr. MARSH. And I might be there to discuss this question. If I am out there, I will be glad to debate it with you.

Mr. RAINEY. Then Mr. Anderson is in no worse plight than I am.

Mr. MARSH. Mr. Anderson is fighting the packers. You have a glorious opportunity.

Now I come to the fact that the packers admit their system is insufficient and wasteful.

In Volume I of these hearings, page 592, the following appears:

Mr. HENEY. I have here a letter from Charles H. Swift—or a copy of one—to Messrs. Louis F. Swift and Edward F. Swift, dated Chicago, October 31, 1916, which I should like to read you and get your advice on.

(Mr. Heney thereupon read from the letter referred to, as follows:)

CHICAGO, *October 31, 1916.*

Messrs. LOUIS F. SWIFT and EDWARD F. SWIFT:

We are, whenever necessary in order to get them killed, shipping live cattle from St. Paul to Chicago. Mr. Chaplin advises, as against killing the same cattle at St. Paul, this increases their dressed Chicago cost about 29 cents per hundredweight.

Which Mr. Heney said would be, on a 550-pound carcass, $5.08. Mr. Armour said "About $4 a head," but he accepted Mr. Heney's correction that it was $5 per head.

Mr. Chairman, I was out in Omaha a few weeks ago attending the annual convention of the Nebraska Farmers' Union, and I talked, I presume, with a dozen or fifteen live-stock growers out there, and some of them, whose names I do not know—they came to speak to me afterwards—said: "We are not going to raise live stock; we can not do it; we are losing money." A difference of $5 a head to these men might mean the difference between being out of pocket and getting at least a small profit.

Mr. Heney asked Mr. Armour the following question regarding this which I have just read:

If these figures are at all accurate, it would seem to indicate, would it not, that there would be a tremendous saving to the consumers if cattle were slaughtered nearer the point of production than Chicago is?

Mr. ARMOUR. Yes, sir. Go on.

I want to call your attention to the very full compilation of figures on the uneconomic slaughter of cattle presented to you by Congressman Anderson.

Then following is the letter from Mr. Charles H. Swift to Messrs. Louis F. Swift, Edward F. Swift, Chicago, June 23, 1916:

Referring Henry Veeder's letter, June 13, to L. F. S., regarding Borland resolution, in which Mr. Meeker is quoted as saying that Armour made a profit of $1.19 per head on cattle for certain periods (ours for same period $1.28 per head):

Mr. Chaplin understands that Armour's includes their canners, which ours does not, part of their sausage results, and has 10 per cent added per head for good measure for by-products transferred at market prices, which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over $2 per head.

Mr. Chaplin didn't think there could be as much difference as this, but checked it pretty close, and understands definitely that their's includes all of the above-mentioned, which ours does not.

That is signed Charles H. Swift.

Also Mr. Swift's statement in Volume II of this hearing, page 816—I will not give it in detail—shows the whole system which has been built up by the evils which we are trying to have corrected through the legislation we urge, that the whole system of marketing live stock, both cattle and hogs, is wasteful.

Mr. Swift said:

And my father discovered that shipping the cattle alive from Chicago East was the wrong way to do the business; that they ought to be killed in the West and the beef shipped East. So he went into the business and shipped the beef to these same people that he had been shipping the live cattle to. He converted them over to the new style of doing the business.

Also on page 866, Volume II, where Mr. Swift admits that the small packers are making a fair profit, fully as much as the large ones. We have heard so much about the alleged efficiency of these big plants that it took Mr. Heney, who is one of the greatest extractors of truth from reluctant witnesses that the world has ever known, who was able to get these admissions from some of these big packers.

The chairman said:

There are advantages of which small plants can avail themselves which to a certain extent offset the increased economies and efficiency of the big plants?

Mr. SWIFT. To a certain extent.

The CHAIRMAN. It is true that some of the small plants have larger profits than the big establishments?

Mr. SWIFT. I think some of them have; yes, sir.

The CHAIRMAN. Do you compete with Armour and Morris in selling meat?

Mr. SWIFT. I do.

The CHAIRMAN. Do you compete with them in buying cattle and hogs?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Right in that connection, I said a while ago that the Attorney General said that he would not prosecute, and I should like this to appear at this time in the record.

The Attorney General said, on page 46:

I could go into court to-morrow against these people if I desired to do so.

And on page 47 the Attorney General said:

I think they have violated the Sherman antitrust law; that is both a criminal and a civil statute.

Senator MORRIS. Under your agreement, while you have made no agreement, of course, you do not expect to proceed against them criminally for that violation, do you?

The ATTORNEY GENERAL. This is the first time I have ever announced it, but do not expect to proceed against them criminally.

Mr. MARSH. We are discussing a different situation. I was present and heard all of that discussion in the Senate Committee on Agriculture. I do not know why the Attorney General of the United States should say that a rich, enormously wealthy combination of hundreds of millions of dollars of capital should be whitewashed in breaking the law. That seems indicated, too, by the opinion of the United States Supreme Court in the case of the United States Steel Corporation this week, where they admitted that certain things like the Gary dinners may have been against the law, but their effects were transient and cleared the corporation; that is an entirely different proposition from that which I am putting up to you. We are not referring to the men charged with violation of the Sherman antitrust law, as well as others, but of Armour & Co., represented by Levi Mayer, attempting to defraud the Government out of taxes which they owe to the Government. I do not know the law and I can not give you the citations, but I am inclined to think that the Attorney General of the United States should know what the law is, and if he is so inclined he can institute proceedings against this wealthy corporation to see whether or not the Government of the United States is strong enough to punish a combination with hundreds of millions of dollars of capital which attempts to defraud the Government of the United States of the income tax due to it. That was my point, Mr. Chairman.

The CHAIRMAN. If he would not proceed against violations under the antitrust law, what assurance may we have that he would proceed against any other violations?

Mr. MARSH. I do not know that you would have any hope or assurance.

The big Armour & Co. corporation, of which Armour owns 70 per cent, I think it is, attempted defrauding the Government. You

know as I do that we are dealing with corporations who know no law if they can evade it; they try to beat the law, they tried to break the farmers, and they have attempted to bribe the papers. Will you ask the packers to put in the record a sworn statement of their joint legislative funds and individual legislative funds of the Big Five, the amount of each fund during each of the past four years, what has been spent in advertising; that is, with what papers and amount, and the amount paid to lawyers and to whom? We are going to put that in for the council.

The other day I saw a letter from the owner of a farm paper stating that one of the big packers since this paper had taken the farmer's side of this thing, by a strange coincidence had lost from this packer $5,000 worth of advertising.

Mr. ANDERSON. Would not that rather overwork the Attorney General?

Mr. MARSH. If the Attorney General will quit trying to put every little harmless, foolish Red in jail and tackle the greatest Reds in America, the packers and other predatory interests, he will have time to do something of this sort. Whether he will do it or not, I do not know. Both parties have to get large campaign funds this fall, as there is a big election coming.

I now discuss why prices are high. In the same hearing, page 520. Part I—this is a part of Mr. Armour's statement, entitled. "Why Prices are High," it says:

> The second question is one that concerns all of the people because they all consume packing house products. Why is the price of meat and other products of the packing house at present levels?
>
> Bacon to-day costs you something like 70 cents a pound, and you bought it four years ago for 25 or 30. What has caused that increase is the principal question back of this proposed legislation? I believe that if that question be answered to the satisfaction of the public there will be no call for such drastic measures as the pending bill provides.

That was the Kendrick bill. It was as absolutely as toothless and ineffective almost as the one which the Senate Committee on Agriculture has reported out now.

Here is what Mr. Armour said:

> In 1915 our company paid for live hogs on the Chicago market an average price of $7.10 per hundred pounds. In 1916 the average was $9.60. In 1917 it went to $15.10, and in 1918 it was $17.45 per hundred live weight.

Mr. Chairman, you are from Iowa. One of the joys of my life is that I graduated from the Iowa College, at Grinnell. I was never initiated in legal matters, but here is an economic question. You are going to have the pleasure of listening to some of the highest paid attorneys, I understand, in the country for the packers. Could you ask them this: They are advertising that about 85 cents out of every dollar which the packers pay out goes for live stock—that is, to the producer of the cattle and the hogs. That is a pretty big percentage. That is their claim. You know that hogs dropped $10 in a few weeks last fall, and if I remember that was close to 50 per cent, though not quite. If the price paid to the producer represents 85 per cent of the total outlay of the packers, why is it that the price of the finished product, when there was that tremendous drop, went only to the advantage of the packers who pay the producers? If the representatives of the packers will answer that question truthfully, you will find that this was a case——

The CHAIRMAN (interposing). Under the rule under which we are proceeding any person present may ask questions.

Mr. MARSH. Can I be here?

The CHAIRMAN. You will have that privilege.

Mr. MARSH. That will be a great pleasure to me and possibly to the packers.

The CHAIRMAN. I am interested in this. Under Government control the ratio was 13 bushels of corn to equal 100 pounds of pork. Under the Government agency's price, pork was worth $16 a hundred and corn $2 a bushel. It seems to me that we have not been getting results out of this Government control. I am more interested in settling that question than trying to find some way of overcoming obstacles of the past.

Mr. MARSH. I am going to take up some testimony of the Chief of the Bureau of Markets, Mr. Louis D. Hall. Before I do that, may I just read this admission of Mr. Armour as to the wastefulness of the packers' system. They admitted it here, but, as you know, they are spending many hundreds of thousands of dollars in advertising all over the country to disprove what was dragged out of them. Here is Mr. Heney's direct question as to the wastage in shipping live stock long distances—Mr. Heney asked if the figures which he quoted were true, that there is a wastage of about $1.50 for a carcass of 550 pounds from St. Paul to Chicago and of about $5 from Kansas City to Chicago. Mr. Heney asked:

If these figures are at all accurate, it would seem to indicate, would it not, that there would be a tremendous saving to the consumers if cattle were slaughtered nearer the point of production than Chicago is?

Mr. ARMOUR. Yes, sir.

There is an admission that with all their bragging, all their monopoly, and all their wealth, that they are utterly inefficient. Why? Because it pays them to be that way.

Mr. Louis D. Hall, testified before the Committee on Interstate and Foreign Commerce, at last hearing, pages 1958–1960—it must have been on the Sims bill. May I read it, because it bears directly on this question and it is of great significance, for while our Chicago folks may not understand that the farmers can not keep on losing while the packers are rolling up millions, they may yet understand that the farmers have to make a fair profit or else they are going to quit producing and the packers will be out of business.

He refers to some charts which I can not give; they are not reproduced. Here is his statement:

But over and above those conditions—

That is increased tenancy on the farms and landlordism—

judging from the correspondence that has been going over my desk for the past 15 years, and judging from my observation of the markets and the producing districts, and from conferences with farmers and stockmen, and from experience in handling live stock constantly until five years ago, when I came to Washington, I want to say to you gentlemen of the committee that I think the outstanding reason for the discrepancy between these two sets of curves I have shown you on the chart—

That is the price, cost, etc.

is that the average farmer thinks he gets a better price for his grain when sold as grain than when turned into live stock and marketed as live stock; and that he gets a fairer price for his dairy products and other farm products than he gets for his meat animals.

That is just the point that you were referring to, Mr. Chairman.

And that he gets a fairer price for his dairy products and other farm products than he gets for his meat animals.

This is of significance because the farmers have been fighting the elevator trust, the wheat combination, and the dairy trust, and yet Mr. Hall, of the Bureau of Markets, admits that they got a fairer deal from those trusts than from the packers, despite the action of the Attorney General.

So we find in Iowa to-day, the greatest live-stock producing State in the country, that cattle feeding has been more than cut in two during the past few years.

And other lines of meat production, as shown by the curves on this chart, have been virtually at a standstill, although there is some tendency to come back to normal at this time.

In my judgment the lack of confidence or lack of satisfaction with the prices that the grower of meat animals has received is responsible for the fact that he has withdrawn from live-stock production and gone into grain production, dairying, etc.

The packers went into the dairy and grain business. There may be something in the opinion of the Attorney General's decree and compromise that is really going to prevent the packers from going ahead with this business, but the average farmer, when he has seen the packers defy the opinion of the Supreme Court since 1905, when he has seen the packers do that, has not much confidence that the packers are going to let an agreement by the Attorney General interfere with what they want to do. Can you blame them?

Now, gentlemen of the committee, that raises the question: What is the reason for the lack of confidence in the live-stock market?

There are five general reasons that I would like to mention to you briefly: First, lack of competition in the stockyards, due to the fact that the packing industry is very largely controlled by five large concerns.

Let me stop here to call this to the attention of the gentlemen from the rich agricultural district of Chicago, the fourth. Here is a man who has been employed by the Government for five years. He says that the general reason for the lack of production of live stock is due to the fact that the packing industry is largely controlled by five large concerns and the lack of competition in the stockyards.

And the average stockman has concluded that he is at the mercy of the buyer when he gets to the market.

So not even all the money which the packers have put into some of these live-stock associations, not even the death throttle which, as loaners of money, they have on these poor live-stock growers, prevents the live-stock growers from knowing the facts.

You know, Mr. Chairman, that we have often criticized labor for striking. They say the farmer never strikes, but what the farmer does and what he is going to continue to do if this packer control is not ended is to quit producing. We feel that we are representing the interests of the consumer quite as much as the producer when we demand that the farmer get a fair price and an open market. That is what we are trying to get by the legislation sought.

In the second place, centralization of ownership and control of market facilities. The average stockman is entirely dissatisfied with the system whereby the parties who buy the live stock are the owners of the facilities through which his live stock is marketed. He would rather weigh his stock on a neutral scale

than to weigh it on the scale of the buyer without supervision. We find that more than 30 of the large stockyards of the country are owned by the group of five packers, and that the most of the other stockyards are more or less controlled by them.

The third general difficulty is the frequent and wide fluctuations in market prices of live stock. The farmer can not understand why hogs should decline $1 or $2 or $3 per hundredweight in one, two, or three days.

Mr. Chairman, maybe the packers will tell you about that. These wonderful economists, experts, professors, and lawyers of the packers ought to be able to explain that.

He can only guess that there must be some manipulation, some artificial influence, operating on the prices.

Possibly the gentleman from Chicago, Mr. Rainey, who says he has a great interest in the packers, can throw light on it; I do not know.

Mr. ANDERSON. Mr. Marsh, I do not think that you should refer to the members of the committee in that way. I hardly think it is quite proper to refer to a member of the committee in that way, individually.

Mr. MARSH. Of course, Mr. Anderson, if you object I will refrain, and I will proceed without any reference to identify the gentleman.

In the fourth place, unequal movement of live stock to the markets has caused a great deal of this trouble. It is only recently that we have been marketing 85 per cent of our cattle that went to Chicago on two days of the week, Monday and Wednesday. Farmers have been unable to understand why they could not get into the market on any day they wanted to come in and reached the conclusion that there was some collusion between the railroads, the market interests, and the packing interests.

Then, there never has been available to the farmer and the stockman any official market information on which he could rely. He has known—a great many farmers have known—that many market papers are owned by the packers; and that has caused just as much dissatisfaction as to have the scales over which his stock is weighed owned by the packers. Whether or not quotations were accurate the farmer has not been able to judge, but the mere fact that quotations were given out by interested parties has had a very unsalutary effect upon his mind.

And, finally, the unfair market practices which every farmer who has marketed stock, or nearly every farmer at least, has seen and heard of practices on the part of the packers and on the part of the speculators, and on the part of the commission men, and on the part of the stockyards companies—unfair advantages that have been taken of him or of his neighbors—have during the course of the years had a cumulative effect upon his mind, and he has made up his mind, as you see illustrated by this chart, that he had better raise grain than feed cattle and ship them in and be at the mercy of the market.

That, gentlemen of the committee, is a very general and brief outline of the problem of the marketing of live stock as we see it in the Bureau of Markets.

Now, Mr. Chairman, that is the testimony of a man who has been in that work for a long time, and it is rather important.

Then, how packers misrepresent their profits.

I am sorry to quote so much from the packers themselves in a case against the packers, but perhaps it will not do any harm to do so, because it will indicate what they are really doing.

This is not a new proposition. Mr. Heney read into the record a statement from the Vest Committee to show how the packers misrepresented then, as now, what actual profits they are making. May I read it?

In the published price list of Armour & Co., of Kansas City, dated September 10, 1889, the price asked for a beef carcass dressed, weighing between 500 and 600 pounds, is 5 cents per pound. If Mr. S. B. Armour's statement be correct so as to correspond with the price list as published, it would be as follows:

"Test on one Texas steer, 1,000 pounds, at 2½ cents, $25."

He had it figured as dressing 540 pounds.

"Expense of killing, cooling, and selling, $1.75; total, $26.75.

"Product, net weight carcass 540 pounds, at 5 cents, $27. Hide, 57 pounds, at 7 cents, $3.99.

"Rendered tallow, 16 pounds, at 4 cents, $0.64.

"Butter tallow, 28 pounds, at 5 cents, $1.40.

"Tongue, heart, casings, etc., $0.85.

"Total, $33.88."

This shows that the profit which Mr. Armour had given as 38 cents was actually a profit of $7.13.

Now, one reason, Mr. Chairman, I asked you to invite Mr. Chase and Mr. Tator, aside from throwing a side light on Mr. Watson's resolution and his effort to drag the investigation out at Chicago, was that these gentlemen have gone through the manipulations of the books of the packers and they can throw some light on the proposition. This is just a side light.

Now, as to the real profits of the packers—and here again may I give some official figures from the packers' own books.

The average profit on net worth of Armour for the pre-war years was 6.5; for the war years, 16.7 per cent.

Profit of Swift for the same period, 8.6 per cent and 24.5 per cent.

For Morris, 7.2 per cent and 15.4 per cent.

For Cudahy, 7.6 per cent and 16 per cent.

Total for these four packers, 7.6 per cent and 19.9 per cent, respectively.

Then, so as to get the facts into the record—these are the reports of Armour & Co. as to the financial history of Armour & Co. unaudited by the Federal Trade Commission.

To hear the packers talk about how little they are making reminds you of that woman who said she sold apples at a loss, but she sold so many of them she was able to make a living out of it.

They object very much to being charged with making large profits, and you will remember that Mr. Armour owns, as admitted in testimony, 70 per cent of Armour & Co. He said it was a family affair, or a family party, or something of that sort.

The original investment of Armour & Co. in 1868 was $160,000. Their profits for 50 years, 1869–1918, as reported, were $179,270,000. The net worth of stockholders' equity is $172,892,000, but the significant point is that their profits for those 50 years on $160,000 were nearly $180,000,000. You would have thought from that profit they would have been willing to pay the taxes they owe the Government.

Swift & Co.'s net worth, capital stock and surplus, in 1896, was $14,500,000—I am reading now round figures. Reported net profits in 23 years—and this is all unaudited by the commission—1896 to 1918 were $214,249,000.

So when we hear alarm expressed lest the packers go out of business, it might be well to keep some of these figures in mind.

Wilson & Co. give figures unaudited by the Federal Trade Commission, as previously stated, net worth, $4,694,000; net profits in 25 years, 1894 to 1918, $44,390,000.

Mr. Chairman, I never heard of a farmer making that much. He would go insane if he made one-tenth of that profit.

The Cudahy Packing Co. figures, unaudited by the commission, net worth in 1888, $750,000; profits as reported in 31 years, $37,695,000. I will not go into any more detail.

Now, as to evidences of collusive buying.

There has been a whole lot of interesting discussion as to whether or not the packers have been buying collusively and they claim they have not—not since it was proved on them the last time, apparently, is their position.

The purchases of cattle at Chicago, Kansas City, Omaha, St. Louis, St. Joseph, and Sioux City of Sulzberger in 1910 were this close to their purchases the year before. There was a difference of only two-tenths of 1 per cent on 664,000 head of cattle.

Armour, the same difference, two-tenths of 1 per cent, an increase in 1910.

Swift, one-tenth of 1 per cent.

Morris, a falling off of seven-tenths of 1 per cent.

Cudahy, an increase of three-tenths of 1 per cent; and

Hammond, which belonged to the National Packing Co., a footnote says, had a reduction of one-tenth of 1 per cent.

And there was just about a similar variation in the volume of purchases of hogs, sheep, and so on down the line, in those years, which would pretty clearly indicate collusion.

Now, I would like to read into the record a few statements from the summary of the Federal Trade Commission's report, showing the percentage of the total cattle purchases of Swift for five years:

In 1913, 33.90 per cent; in 1914, 34.01 per cent; in 1915, 34.47 per cent; in 1916, 34.59 per cent; in 1917, 35.07 per cent.

Now, I could go on and read a whole lot of this, but I do not think it would be necessary, because the fact is pretty well established, and just let me read this one letter from E. A. Cudahy to Mr. M. R. Murphy, who, I understand, is their manager at South Omaha, Nebr.:

Mr. M. R. MURPHY,
South Omaha, Nebr.

DEAR SIR: Referring to the attached papers, Mr. McNaughton advised me that he learned from one of Morris & Co.'s men that there was considerable talk about the Kansas City stockyard that we sold out to the rendering company. Of course we can't stop the rumors, but all we have to do is just to keep quiet and let them do the talking. I think we are justified in quitting business on account of the position that the commission men have taken.

When I was coming to Chicago on Monday night Mr. R. C. Howe was on the train, and he called to see me at this office, and from what he said I don't see anything for us to do only to secure our 30 per cent of the hogs at South Omaha, unless we want to take 29 per cent and let Swift run 26 per cent.

Now, when people are saying that a certain proportion of the live stock is "ours" and that they are going to let somebody else take a certain amount, and when those gentlemen come before you and tell you that there is active competition and no collusion, the only conclusion most of us can reach is that they are simply indefatigable liars. There is no other word that expresses it, and all the testimony is to that effect, and I am going to read some more before I get through.

Mr. VOIGT. What did you take that letter from?

Mr. MORRIS. This is from the summary of the Federal Trade Commission's report to the President on the meat-packing industry, July 3, 1918, page 29.

Mr. VOIGT. What is the date of that letter?

Mr. MARSH. This is dated June 21, 1911, and I will point out in another statement later that there was a reference as a basis for the division way back to 1902, if my memory serves me correctly. That is my recollection now, and I will correct it later if I am wrong—an indication that they realized they would have to go back some distance and that they were really using that as the basis. That is in the testimony that I will refer to later, Congressman Voigt.

Now, as to the use of refrigerator cars.

Mr. Chairman and gentlemen of the committee, there are several proposals we suggest, specific things, to be enacted into law. First, that the railroads should be required to acquire refrigerator cars and all the principal and necessary stockyards—and we define those as the stockyards which during the calendar year preceding the year in which this bill goes into effect—and let us hope that will mean last year—handled over 100,000 head of cattle, or those which may in any future year handle over 100,000 head of cattle—that they should be owned by the common carriers; that is, by the railroads. And we suggest a commission of five. We will outline this and present it to you formally a little later; also a system of licensing; and, as you will recall, Mr. Bissonnette suggested the other day that the stockyards should be obliged to provide scales on equal terms to all users.

Now, I do not think Mr. Bissonnette emphasized as much as could be emphasized this fact. The farmers of America are a practical crowd. They are not given to theorizing, and they know that the way to beat the packers is to give the farmers the same chance that the big fellows have. They are getting together in their producers' cooperative organizations. You know what they are doing in Wisconsin and you know what they are doing in Iowa and Nebraska. The packers do not like that combination of farmers. They never have.

Now, I want to quote to you from Mr. Swift as strong a statement as we could make, perhaps stronger, because he knows the details of his business, on the necessity for the railroads owning the refrigerator cars. It is found in the second volume of the Senate hearings, page 1975. Here is what Mr. Thomas E. Wilson said; please see how it confirms our position:

> Mr. WILSON. Now, on the other hand, the little fellow hasn't any chance at all under present conditions to spread out, depending on refrigerator cars because he can't afford to have a repair shop of his own; he can't afford to own cars enough for that; and he can't have a staff looking after the expediting of the cars, which is an expensive proposition and can only be maintained after you have a large enough business.

Mr. VOIGT. That is from Mr. Wilson, the packer?

Mr. MARSH. Yes; Mr. Thomas E. Wilson. That is given in this official report, and that is just as it is printed here, and I assume, of course, he corrected this, and I have not seen any correction of this statement. Of course, the interesting point is not that it proves anything, but he admits the self-evident fact that the little fellow

have no chance at all as against the big men who own these refrigerator cars.

I also wish to quote from the House hearings, volume 5, page 1366. This is very significant, gentlemen, because in the common expression the farmers say:

> Well, the wholesale grocers got theirs, all right, in this agreement with the packers, but the farmers are, as usual, being made the goat. We are out in the cold.

The wholesale grocers came down and testified as to the discrimination against these wholesale grocers by the big packers, and they had very able men here, and I am quoting some of the statements of Mr. William F. Bode, who is the vice president of Reid, Murdoch & Co., of Chicago. This decree tells the packers that they must give up, in general, the lines in which the wholesale grocers are interested. Now, there is a sweeping victory in that decree for the wholesale grocers. They are able to look out for themselves when they have been discriminated against, but as far as meat, cheese, poultry, and eggs are concerned there is no relief for the farmer, and here is what he is going to be up against unless the Government owns the refrigerator cars, and, similarly, unless the Government owns these big stockyards. Mr. Bode said on page 1366, volume 5, of the hearings on the Sims bill:

> Many cars receive 100 per cent refrigeration when only 10 per cent or more is necessary, the balance of the car being loaded with nonperishable goods. * * *
> The packer not only puts his nonperishable and nonpacking house products into a 10,000-pound minimum car but he at the same time reduced his perishable or fresh meat weight to correspond, permitting a quicker "get away" to serve the trade. The packer's car minimum is 10,000 pounds for packing-house products. The privileges accorded this car are in allowing the contents to be peddled and delivered to customers in every town en route. The grocery jobbers' car minimum is 15,000 pounds, causing thereby a 50 per cent greater cost to the grocery jobber. The railroads thus receive less revenue.

Now, I will just read one citation of the actual amount which was lost on an identical grocery shipment and packer shipment of 350 pounds. The advantage to the packer because of this control of refrigerator cars amounted to 39 cents on 350 pounds, according to Mr. Bode's testimony on page 1372, of volume 5, of the House hearings on the Sims bill.

The grocers are fixed all right in this agreement, but the farmer can't go up against that sort of discrimination.

Now, you know, Mr. Chairman and gentlemen of the committee, that certain folks have criticized the Railroad Administration's operation of the railroads, which, of course, was more efficient than any private operation of anything during the war; but Wall Street did not see it that way, and so you have returned the railroads to what you call the supermen of efficiency. Now, folks objected during the war to having the Government take over the refrigerator cars and take over the stockyards through the Railroad Administration, claiming the Government could not run them properly. The roads have now gone back to private ownership, and the railroads have had the Treasury doors opened to them, and they are asked to walk in, and now that we have these "supermen of efficiency" in control even the packers ought to trust the railroad people and let them give equal service, if it can be done under private ownership, to the individual

farmer, the independent packing plant, the cooperative and the big packer on both the stockyards and the refrigerator cars; and, of course, we will see what happens under private ownership, but, at least, the argument against Government inefficiency in this respect does not hold good since the railroads have been returned.

Now, as to the division of legal expenses and advertising expenses and methods.

I want to read a very interesting letter from the proprietor of an agricultural paper who had had some loans from the packers—and that is one reason, by the way, I suggested you find out from the packers about their advertising and their loans, and so forth, and then, if you had plenty of time, find out the editorial policy of these agricultural papers, because, after all, no country with a "kept" press can survive. We may differ in our opinions, but if any combination of capital can buy up mediums of information we are inevitably going to have trouble.

On page 755 of volume 1 of the Senate hearings Mr. Heney read a letter, which was not denied by Mr. Armour, as follows—first let me state that it was about two notes, one for $5,000 to Armour & Co. and one $5,000-note to Swift & Co.:

FORT WORTH, TEX., *January 22, 1912.*

Mr. F. W. CROLL,
Care of Armour & Co., Chicago, Ill.

MY DEAR MR. CROLL: My notes in favor of Armour & Co. and Swift & Co., I think they mature again on the 1st of February. I should like to have these notes extended for another year, if it is agreeable. If not, I can sell the stock at a fair margin of profit and pay up the notes. I took this stock originally and have retained it since in the hope that by so doing I could be of some service to Messrs. Armour and Swift.

I think that I have accomplished that end and it may be that it is now no longer necessary for me to remain a stockholder and director on the paper. If you have had occasion to observe the editorial policy of the paper before and after taking, I think you will note the change.

Please confer with Mr. Veeder, of Swift & Co., and advise me your wishes in the matter, and oblige,

Yours, respectfully,

GEO. W. ARMSTRONG.

Now, I understand you are going to have the pleasure of hearing Mr. Veeder here, and Mr. Veeder could doubtless tell you to what extent the packers, in order to have a change in editorial policy before and after taking loans from the packers—to what extent Swift & Co., at least, are making these loans, and also about their advertising.

Now, as to division of legal expenses and other advertising expenses and methods, I refer to volume 1, page 726. This indicates in a very entertaining method how the packers have been trying—well, let us use Anglo-Saxon—how the packers have been trying to beat the law and control men who are elected to administer the laws, and regardless of how they did it or how the packers have been guilty of what in war would be called properly treason, in peace it is moral treason to democracy and ought to be indictable. I admit it is not, unless you can catch them. Mr. Heney put into the record a letter from Mr. Alfred R. Urion, general counsel of Armour & Co. which the Federal Trade Commission has a copy of in its possession, containing this statement—the exact date I can not give you, but

Mr. Heney said it was not earlier than 1916. This letter was written regarding the situation in Pennsylvania:

I give you the following information to be disseminated amongst those who are associated with us in Pennsylvania oleomargarine. The source of my report you are familiar with. I give you data on this subject received Saturday. Have been given positive assurance by the big man that there will not be any suits brought in this case during the time named on the tinted goods, provided that they are not too yellow. That is to say, you must not go to extremes in color, but that regular run of tinted goods will be all right.

The wholesalers and manufacturers should not go further in spreading the understanding than simply notify their trade verbally that no suits will be brought, and that there will be no trouble in their handling naturally tinted goods.

There was a lot of discussion. You will see that in this letter there is no identification given of this big man, and there was a lot of discussion as to who was meant by it, but that is not germane to this discussion.

Then, on page 726, the figures are printed as to the division of the legislative expenses on the oleo pool, and Mr. Armour was questioned about it.

A. (meaning Armour & Co.)	$12,387
F. (meaning the Friedman Manufacturing Co.)	6,246
J. (meaning the John F. Jelke Co.)	32,172
M. (meaning Morris & Co.)	10,481
W. J. M. (meaning W. J. Moxley, Inc.)	11,563
W. (meaning Wilson & Co., Inc.)	4,265
H. (meaning G. H. Hammond & Co.)	3,652
S. (meaning Swift & Co.)	19,234

Mr. Heney asked Mr. Armour:

Do you, personally, know anything about that?

Mr. ARMOUR. There never was an oleo pool, Mr. Heney.

Mr. HENEY. Leaving out the word "pool"?

Mr. ARMOUR. You used the word "pool." I did not know anything about those percentage figures. But there never was an oleo pool. I know—at least I have heard—what will I say?

What will a man say when he has been caught red-handed, with the goods on him, as the packers have been ever since the Federal Trade Commission got at the facts?

Now, there are several other of these interesting indications of how they were running their joint combinations; and, mark you, these folks are all supposed to be in the most violent competition. They say they are.

Here is a letter which I would like to read, found on page 74, dated October 5, 1916, signed by A. D. White, J. M. Chaplin, and P. D. Hebb, showing that the packers realized the sentiment of that patriot who said, "United we stand, divided we fall," or something like that:

Mr. L. F. SWIFT:

Answering yours of the 5th instant, please find copy of proposal by Mr. Laughlin, of Armour & Co., and the writer, based on the discussion of the full committee.

Upon submitting this to the various members and asking if it would have their support and be recommended to their principals, we have the following:

Armour & Co., Mr. Laughlin has already discussed it with Mr. Watson Armour and Mr. F. E. White, who have passed it along to Mr. J. O. Armour for approval.

Mr. Charles, of Morris & Co., is in favor of the plan, and is recommending it to his principals.

Mr. V. D. Skipworth, of Wilson & Co., is against the plan of individual exploitation for the various firms, and wants to handle the matter through a bureau.

Mr. Creigh, of Cudahy & Co., is rather inclined to agree with Mr. Skipworth, but, I think, is not anywhere near as strong in his views as Mr. Skipworth is.

I would therefore recommend that Swift & Co. give this plan their approval, and before definitely starting the work that every effort be made to get Wilson & Co. and the Cudahy Packing Co. to cooperate with us on the proposed basis, but if they will not do it, to begin this work without them.

Congress reconvenes in December, and we are losing valuable time if we are going to create any favorable impression on the live-stock raiser and feeder prior to a date at which the politicians will have an opportunity of renewing their attack through pushing the various bills now before Congress demanding an investigation.

Mr. J. M. Chaplin visited E. Dana Durand, professor of economics at the University of Minnesota, on Wednesday, and Mr. Durand suggested to him that we should, through paid space, exploit some of the economic facts regarding our business.

Attached please find copy of resolution which I would suggest having presented at the convention of the American Meat Packers' Association by some small packer.

Mr. F. E. White, of Armour & Co., and Mr. C. E. Charles, of Morris & Co., approve the suggestion. Mr. Skipworth, of Wilson & Co, said he would think it over, and I am unable to reach Mr. Creigh, as he is out of town.

Awaiting your reply,

A. B. WHITE.
J. M. CHAPLIN.
P. D. HEBB.

Now, the resolution referred to is as follows:

The attacks upon the packing industry during the past two years have been inspired principally by organizations of live-stock raisers. The chief complaint seems to have been the so-called "violent fluctuations" in prices of live stock in short periods of time.

While there is widespread satisfaction with present prices, the marketing committee of the American Live Stock Association presents as its policy, a persistent effort to have conditions investigated under which live stock is marketed, in order, if possible, to avoid a repetition of some of the depression of prices which were so disastrous in some cases during 1915.

In addition to the proposed advertising a bureau is to be established which shall watch for all of the news and editorial comment in these agricultural papers and make an effort to answer any unwarranted attacks on the industry.

May I say, Mr. Chairman, that I have had some debates with representatives of the packers in some of the agricultural papers, and I am happy to say that a lot of agricultural papers have dared to give some of the facts about the packers. The result was indicated in the withdrawal of $5,000 of advertising by one of them.

Continuing this statement:

It is proposed that in some of the advertising copy, communications from the live-stock raisers will be invited, and it will be the purpose of the bureau to handle such communications. This, at the outset, would require the services of one man to conduct the bureau and necessary stenographic help.

If, after the completion of a six months' advertising campaign in the agricultural publications, the results accomplished in the favorable public opinion created, warrant a continuation of a campaign in these publications, this would be done, and at the same time consideration given to instituting an educational advertising campaign in the newspapers of the larger cities, directed toward the consumer, but it was thought best by the committee having the matter under consideration to suggest a trial of the educational advertising in the agricultural papers and see what results might be accomplished.

Whereas, there may at times exist a misunderstanding as to the forces of supply and demand which control the price of live stock and the prices of meat and by-products.

Then follows the resolution:

Be it resolved, That the president appoint five members to form what shall be known as the information committee of the American Meat Packers' Association, whose duty it shall be to collect and disseminate such information and data as may be available regarding the economic efficiency of the members of this association engaged in the meat-packing industry and to promote a better feeling toward the industry.

Gentlemen, I think you can get a whole lot of entertaining and perhaps valuable information from the American Meat Packers' Association.

Here is a letter from L. F. Swift, dated Chicago, October 6, 1916, and addressed to Messrs. Edward F. Swift, Charles N. Swift, G. F. Swift, jr., and L. A. Carton:

Please say if you are in favor of spending $330,000 for six months' campaign along the lines of the attached memorandum (providing Armour and Norris will come in and sign a memorandum to this effect), prorated according to the money spent for live stock, having Wilson and Cudahy come in if they wish—otherwise go on without them.

It looks all right to me.

This has been the subject of different meetings at which Mr. Veeder and others have been present.

That is signed, "L. F. Swift."

I think Mr. Veeder is here and he can throw more light on that than I can.

In volume 2, if I may quote, page 1104, Mr. Swift was asked about these joint legislative funds. I am not going to read this, but I want to ask if I may submit a brief statement of the discussion that went on to go into that part of my testimony where it was admitted by Armour and Swift that they would fight each other, but claimed that they would not fight a new competitor. May I submit that and hurry this rather long statement?

Here is what Mr. Swift had to say about the oleomargarine situation, the oleomargarine fund:

It was paid for by these three or four large packers, but it served to help the small packers as well. Whatever would help the big packers in this respect would help the small packers and help the whole industry, and that was his effort.

Mr. Heney said:

There was some $15,000 expended by Mr. Veeder in connection with the opposition to the Borland resolution, was there not?

Mr. SWIFT. I do not know anything about that. I thought $15,000 was in relation to butterine legislation, * * *.

On page 1889 Mr. Morris was asked by Mr. Heney about advertising, and he said:

We are planning to spend quite a little money in product advertising. Up to last year we had been able to sell all of our products, since there has been a big demand on the products. But from now on we are planning to get the domestic trade, and we are planning to spend quite a little in advertising.

As you gentlemen know, this advertising comes out of their profits; it does not cost them anything. It comes, I take it from what they would have to pay in income tax otherwise. I understand that Swift & Co. spent in 1916–17, $1,700,000. That the packers are really trying to kill competition, I think I have fully proven out of their own mouths.

Mr. Heney asked Mr. Armour:

Suppose, instead of Swift & Co. being in there, it was a very good territory, and there was some little fellow in there, some little, insignificant fellow in there. You would not stop to consider the fact that he was in there if you wanted to get that good territory, would you?

Mr. ARMOUR. Of course, that would depend entirely on the circumstances. I can not answer.

Mr. HENEY. I am talking from a common sense standpoint now.

Mr. ARMOUR. I do not know. It might pay us a great deal better, if we were going into a town like that, to buy that fellow out rather than go in, because it has never been the policy of Armour & Co. to go into a town and crowd a man out. It has always been the policy, if we wanted to go into a town and there was a man there, to try and buy that man out, if it was possible to do so.

Then Mr. Armour made a rather interesting admission. Mr. Heney said:

But suppose he had been a little smaller than he was, you could have killed him off, could you not?

Mr. ARMOUR. Of course, Mr. Heney, a big man, I suppose, if he has got enough money, can kill off a small man; if he has money enough to do it—if that is what you mean.

It would seem that is what he did mean.

Cooperative farmer organizations, of which the big packers do not want to hear, are extending their work. For instance, the Farmers' Union of Nebraska wants to start a packing plant. They are going to start consumers' cooperatives in five towns, including Lincoln and Omaha, on the basis of a 50-50 division of savings, to the great disadvantage of the packers. They have to go up against the packers with their enormous machinery and their ability to get better service in refrigerator cars.

Mr. Swift, in answer to a question, volume 2, page 868, of the Senate hearings, said:

I am not hostile toward anybody. We just want to maintain our volume as near as we can.

The CHAIRMAN. You would prevent Armour from invading you, and I am not saying that is not good business.

Mr. SWIFT. I do not know that I could prevent him. I would simply——

The CHAIRMAN (interposing). Try?

Mr. SWIFT. I would try to hold my volume.

The CHAIRMAN. If you and Armour both tried to prevent a new man getting started in one of those towns, you could succeed, could you not?

Mr. SWIFT. I do not think so.

Senator PAGE. Would you try?

The CHAIRMAN. He said he would if Armour undertook it, and Armour said he would if Swift undertook it.

Then the chairman asked this very embarrassing question:

What I am trying to get at is this. I do not understand why it is that Armour fights Swift increasing his volume at the expense of Armour, and Swift would fight Armour increasing his volume at the expense of Swift, and yet both would not fight a new man coming in and taking the volume. I do not understand that.

Of course, the facts are as brought out. I will not go into detail. The packers have been fighting this competition and they would to-day, and gentlemen, the absolutely uncontrovertible proof of my statement that they would fight competition is this: They have never been willing to go up against open and free competition. The burden of proof is on the packers who oppose the legislation which we suggest. That legislation does not attempt to interfere with any

internal efficiency of the big packing plants. It simply attempts to give the small fellow a chance, an equal chance as to rates and services in the refrigerator cars and in the stockyards with the big packers. We can not conceive of any reason why any packer who is honest and on the level should oppose it any more than we can conceive why they should oppose a system of licensing. The American people to-day are not in a state of mind to sanction or condone any trifling with the high cost of living. The American people want an opportunity for the producers in the towns and on the farms alike to have some reasonable proportion of what they produce.

I want to submit one or two other statements, but I am not going to take any more time, because it is after 4 o'clock and this is Saturday afternoon. If the members have any questions I shall be glad to answer them. I will state that Mr. Hampton will be here Monday to take up the other phases and suggestions for this legislation, and we appreciate very much the opportunity to permit us to ask questions as the packers are going on.

The CHAIRMAN. Have you finished, Mr. Marsh?

Mr. MARSH. Yes, sir.

Mr. VOIGT. Is it your idea that the packers should be divorced entirely from the ownership and operation of refrigerator cars?

Mr. MARSH. I think so, Congressman, for this reason: The Interstate Commerce Commission in its report for 1911 gives the reason more concisely than I can. I thought I had that with me, but I have not. They were discussing interlocking directorates and pointing out the community interest and said in effect that it is almost impossible with the interlocking directorates of industrial and transportation companies to secure complete equality of service.

Mr. VOIGT. It is your opinion that they should be owned by the railroads so as to give all the people equal service?

Mr. MARSH. Yes, sir; absolutely. Transportation facilities have got to be 100 per cent owned by the railroads or there is discrimination. There is danger enough as it is even if the railroads own them. We are not looking for 100 per cent efficiency. The same way with the stockyards, because the stockyards are really in the same class as freight yards, only they have live freight instead of dead freight.

Mr. VOIGT. If it was within your power to write the law, would you prohibit the packers from dealing in butter, eggs, cheese, and other articles?

Mr. MARSH. I believe that I would. Of course, not to go into effect overnight. I think I would probably within a certain short time.

Mr. VOIGT. You think it would be better to confine them to the meat business?

Mr. MARSH. Under strict regulations for the meat business under a license system. They might have been permitted to experiment if they wanted to. I do not think they want to. They do not want to experiment. All they want is monopolization and volume of business. Armour and Swift and all of these men get control; they always control the market. Yes; I think they should be practically completely divorced from those products.

Mr. VOIGT. Of course, the packer business in cheese, eggs, and poultry is beyond the experimental stage. The packers now control

the bulk of the cheese in Wisconsin, and quite a large percentage of the eggs and poultry. .What I wanted to get from you is whether it is in the interest of the general public that they should retain those lines.

Mr. MARSH. I can not say that it is, because I can not see that it is to the interest of the general public to have a monopoly, and for the reason that I know that the farmers' cooperative organizations are wanting to go into this if possible, and it is much better that they should. The farmers are cooperating with the city people. If you will permit, I may just briefly refer to that fact that at Chicago last month the farmers' cooperative association authorized a permanent commission to work up this direct trading to the advantage of both the producer and the consumer.

Mr. VOIGT. You have reference there to the cooperative marketing idea?

Mr. MARSH. Yes, sir; direct trading in butter, eggs, cheese, and all of those things. The packers do not like that. With the refrigerator cars owned by the railroads the cooperative organizations will have a much poorer chance to compete with the big packers. There is no reason why the cooperative organizations should not have the use of these peddler cars which the packers have developed to such a large extent.

Mr. VOIGT. Under this decree that has been entered against the packers they are prohibited from owning the stockyards after two years, I believe. What is your idea as to what is in the interest of the general public to do with the stockyards?

Mr. MARSH. We have been trying to get figures as to the amount that would have to be paid for the stockyards. I have not yet received those figures. The reports of the Trade Commission show the tremendous overcharges made by the packers for services in the stockyards for hay, service, attendants, and so forth. The present capitalization of the stockyards—I am coming to that question and I want to explain our position—the stockyards overcapitalization is the capitalization of watered overcharges or very high overcharges. When you say to the packers, "You shall not own the stockyards," you leave the question up in the air as to who is going to own them. I think it was Mr. Borders, but I have forgotten, who asked Mr. Lasater the question the other day in the hearing as to whether the producers should own them. The producers and the general public, of course, include as well the consumers, will own them if the railroads take them. I think you have got to provide what the ownership shall be and not simply say the ownership shall not be the present ownership. Further, I understand that the packers had under advisement the organizing of a holding stockyards company. You know the bearer warrant system which they have. If the packers want to own anything they are the cleverest folks in getting around the law. We know what the record shows. To make the divorce from the stockyards definite, let the railroads own them.

Mr. VOIGT. What I want to get from you is this: If the packers do not own them, should they be owned by the railroads?

Mr. MARSH. On the whole, we think it would be better for the railroads to own them, because they will probably make a better purchase. They can with their guaranteed compensation. There is no incentive to economy. They would get them at a lower price than if a group of

producers should buy them. They are an essential part of the system of transportation, the stockyards, just as much as a passenger station or a freight station. We would not think of having the Union Station down here on the Plaza owned by one of the packers' representatives, Mr. Livingston, of a local bank. We think the railroads should own them, as they render a public function.

Mr. VOIGT. Then, the stockyards sustain the same relation to cattle that a railroad warehouse sustains to incoming freight?

Mr. MARSH. Precisely; and therefore should be owned in the same way by the railroads.

Mr. VOIGT. It is evidently your idea that there has been an expressed or at least an implied understanding among these five packers that they should buy a certain percentage of the live stock of the country?

Mr. MARSH. Why, it seems to me that is absolutely established by the Federal Trade Commission's report.

Mr. VOIGT. Well, I will say to you that, as far as I am concerned, the figures look very suspicious to me. Now, assuming that there is such an understanding that these men have acted upon over a long period of years—I want to say for my part that it is my conviction that there has been at one time such an understanding and that they acted on that understanding for a long period of years. Assuming that is true, how would you break it up?

Mr. MARSH. I do not think you can do it by merely telling them that they have got to establish competition.

Mr. VOIGT. These gentlemen have been told that before. Now, I want to get your idea, assuming that the charges you make on the question of the percentage of purchases is true?

Mr. MARSH. Yes, sir.

Mr. VOIGT. How are you going to stop these men from that practice?

Mr. MARSH. By taking away from them the loaded dice which have enabled them to build up that collusive system through having the refrigerator cars and owning the stockyards, and through insisting that they come out and make open bids, and through a supervision of their other lines of business. Another method, I think, will have to be worked out through a careful study of the various markets which Mr. Bissonnette spoke of, so that there will never be a glut of cattle on the market; they will come in steadily and the producers will not have to take the lowest price, he will hold them if necessary.

Mr. VOIGT. Let us see how it would work out in practice. Let us assume that these men are divested from the refrigerator cars and assume that the stockyards are owned by the railroads and anyone can ship in cattle and the packers have no control over the yards, and suppose that these packers, if they have this implied agreement for purchase, continue with the same implied agreement, will there be any competition in the live-stock market?

Mr. MARSH. Not if the producers are obliged to sell to those specific markets alone, but one of the things we have got to have in order to save the shrinkage of cattle and to save the long hauling is to establish independent slaughtering plants all over the country. There should be hundreds more of them, so that these men can ship their live stock direct to these small plants.

Mr. VOIGT. Then, to bring about active competition in the purchase of live stock, you would have to do something more than to divest them from the refrigerator cars and the stockyards?

Mr. MARSH. I believe so. My information is not first hand, but it is the result of the investigations which the committee has made, and the testimony of these men who are doing this business themselves. Take the testimony of Mr. Gustafson, which is to be read into the record, the president of the Nebraska Farmers' Union. They do $25,000,000 to $30,000,000 business annually in live stock.

They want this legislation, believing that it will open the way for them to establish their own independent packing, slaughtering, and stockyards plant out in Nebraska, and that they will not have to be dependent upon the packing plants in Chicago, and that situation will be duplicated all over the country, so they will not be dependent upon the big packers.

Mr. VOIGT. I am just trying to get your view and where we will be if these stockyards are turned over to the railroads and the packers are divested of any special privileges, but they should continue this implied understanding. Then, according to your view, if all this is accomplished, there will be no immediate remedy for the live-stock producer?

Mr. MARSH. I think it will not be overnight. We simply have to recognize that we have to pay higher prices for everything than formerly. We ought to ascertain how the packers are actually making the profits that they are, as I raised the point earlier. Those are the things to be done. The legislation to meet the situation has to provide the first steps. It is provided in the Anderson bill that there shall be vested in this commission power to continue the study of the cost of the production of live stock and marketing, and to ascertain, through the license system, whether there is this collusion between packers, and a few jail sentences, if convictions are found, might be effective.

Mr. VOIGT. It seems to me that there is all the evidence which is obtainable to show that these men have been purchasing a certain percentage of the live stock for a long period of years. If you can not do anything with that evidence, probably you will not be able to find any evidence that you can do anything with.

Mr. MARSH. I did not ask the Attorney General to make that deal with the packers. I am inclined to think that it was a very serious thing, because it absolutely shook the confidence of the average American man in the integrity of the Government, and it was a most unfortunate thing to do.

Mr. VOIGT. What is really needed, if this legislation is passed along the line you suggest, would be some actual competition in the purchase of live stock?

Mr. MARSH. It will speedily be furnished by the live-stock men through the establishment of cooperative or farmers' independent packing plants and stockyards. That is what they anticipate. I do not think that anybody can legislate for 10 years or 15 years ahead in the rapidly changing conditions, but there will be nothing, as far as I can see, in this situation which would in any way interfere with any existing efficiency on the part of the packers. It would not disrupt business in any way that I can see. As you know, Mr. Armour told the committee that he would put into the

record the list of railroad stocks that he owned; but it is not there. I do not know how the packers may be able to manipulate through the interlocking directorate. At the same time, the proposed legislation seems to be the only thing that we can do now.

I will say that the Farmers' Council was in favor of the continuance of Government ownership of the railroads for the next two years, and I think that a year or two of private ownership will demonstrate the soundness of their position absolutely.

Mr. VOIGT. You think the farmers will look on the high freight rates just as they would on Government control, do you?

Mr. MARSH. When the farmers realize that the plan is on foot now to guarantee 7 per cent increase on orders emanating from over there in New York, they will wake up; and the farm leaders who have advocated the return of the railroads will in two years from now be the most discredited alleged spokesman of the farmers in America.

Mr. VOIGT. It has been widely published in the papers that the packers are divorced from these grocery and related lines. I have not seen the statement in any newspapers to the effect that the individual stockholders of Armour, Swift, etc., are permitted to hold not to exceed 50 per cent of the stock in corporations which may take over this grocery line. Have you understood that?

Mr. MARSH. I have not.

Mr. VOIGT. The decree provides that the packers, as corporations—that is, Armour & Co., Swift & Co., Morris & Co.—can not deal in groceries. But it also provides that the individuals composing these companies may hold stock in corporations which take over these businesses.

Mr. MARSH. Oh, yes; I did not understand your questions. I understood that that was done.

Mr. VOIGT. I wanted to know if you understood the effect of that decree?

Mr. MARSH. I understand it, that you can do individually what you can not do jointly, and you are in just the same position as you were before the decree. But the American public has been bluffed once more.

Mr. VOIGT. Suppose Mr. Armour, individually, holds 49 per cent of the capital stock, and his wife or sister or brother owns a few more per cent. Would not that give him absolute control over that business?

Mr. MARSH. Was that the reason that he did not object to the decree, may I ask?

Mr. VOIGT. I do not know to what extent he did object to the decree.

Mr. MARSH. Papers have said the Chicago packers received this decree with feelings akin to enthusiasm. I should think they might.

Mr. VOIGT. I do not think they have shed any tears over it.

Mr. MARSH. Crocodile tears, if any.

Mr. VOIGT. I have been interested in what you have to say, Mr. Marsh. But I want to be frank with you that I did not like your attitude in regard to the way this committee is constituted. You seemed to have an idea that this committee should consist entirely of farmers.

Mr. MARSH. May I correct that, because we were very careful to say in Mr. Hampton's letter "representatives of agricultural States"

should be placed on the committee—of course, you have got to have a division of functions in any legislative body representing a country of the diversity of interests of the size of America.

Agricultural measures are not finally decided by this committee. The preliminary steps; that is, inquiries exclusively or particularly on agricultural subjects are here discussed, and a bill reported out or rejected or amended.

But it does seem to us—and I want to assure you that we have been in constant touch with the farmers of nearly every State in the Union—that there is a bitter feeling of resentment that farmers have not received the consideration in representation on this committee to which they are entitled, that is, agricultural States have not received representation.

I do not want to go into that again, but I did want to correct that statement.

Mr. VOIGT. I wanted to say for myself that while I am very friendly to the farmers, and I want to see the farmer get a square deal, I do not think I am here exclusively in the interest of the farmers. I am, as a member of this committee, seeing that the farmer is fairly treated, but I am also here to see that the general public gets what is due to it; in other words, I do not understand that our committee must simply crowd legislation which is favorable to the farmer although it may be unfavorable to the city man.

Mr. MARSH. Conceded. I am not urging that.

Mr. VOIGT. I do not think we are here for that purpose.

Mr. MARSH. But, that there must be at some stage in legislation on agricultural questions, men who, by their experience and training and environment, have a broader view and interest and sympathy with agricultural issues than 99 at least out of 100 city men can have. That was our point. Certainly we have got more than 18 agricultural States, and it does not look proportionate to give Chicago two. Illinois three, and a lot of the States not a single representative on this committee.

Mr. VOIGT. I do not think it would be possible to constitute this committee so as to give a representative to every agricultural State.

Mr. MARSH. You mean that there are not enough farmers in the House? That is correct.

Mr. VOIGT. There is not, to give enough membership on this committee.

Mr. MARSH. I see.

Mr. VOIGT. Nor do I think that it would be proper to constitute this committee entirely out of representatives of agricultural States. I think that the matters coming before this committee affect all of the people of this country, and that there should be such a representation on this committee that they are all fairly represented. The legislation that is before the committee now affects the city man just as much as it does the farmer.

Mr. MARSH. And the city man can appear. We have had Mr. Stone, the grand chief of the Brotherhood of Locomotive Engineers, before you, and the other railroad representative and the Federation of Labor will probably appear, the consumers' leagues have been here, and all should have a chance to appear. But who can question those who appear on matters of legislation as carefully as those who know themselves the farmers' problems?

Mr. VOIGT. There ought to be enough men on this committee who are familiar with the farmers' problems, there ought to be men on the committee who are familiar with the cities' problems, as involved in this legislation.

Mr. MARSH. It is exactly, of course——

Mr. VOIGT (interposing). There is not only involved in this legislation the interests of the farmer, but there is involved here the interests of the packers and the interests of the consumers.

Mr. MARSH. Will you admit that the packers have not been entirely conspicuous by their absence?

Mr. VOIGT. I do not understand that they have. But the vast body of consumers is not sufficiently organized in order to make a proper showing here. That is my position.

Mr. MARSH. Well, of course, that is a question of judgment as to the farmers' viewpoint. We think that is their viewpoint. We may be incorrect, but we understand that is their position pretty strongly. However, I think they will say "God bless any committee"—whatever you call it, whoever is on it—"that gives us adequate legislation to control the packers."

And may I emphasize again, gentlemen—is it not an alarming situation that farmers by the thousands are cutting down the acreage being sown for next year and reducing the supply of cattle they are raising and of hogs?

The Farmers' National Council had a meeting in Chicago, and we addressed a communication to the Senate Committee on Agriculture requesting that they draft a resolution providing for the creation of a commission which would work out a plan to underwrite the inherent risks of agriculture, so that individual farmers or States would not have to carry the cost of three successive years of crop failure, for instance.

Our whole system of world production and distribution is chaotic, and the farmer takes the risk.

May I illustrate that from Mr. Anderson's own State? There is a man who used to be in Iowa College with me. He and his wife worked hard, and he quit a year ago, and he said, "If I had not quit, I would have broken down. I would have gone back every year, except that I am just a little ahead because my land values increased $40 or $50 an acre." That was in Minnesota. He said, "We worked like thunder, and only just a little more than broke even."

Mr. VOIGT. That can be taken care of by a system of mutual insurance?

Mr. MARSH. Who should pay that insurance? Should it be the State, or should the Federal Government underwrite its share? Our position is that the Federal Government ought to—all the consumers. The council also urged a heavy capital tax on property—not income, but to take at least 75 per cent of all fortunes over $500,000,000.

Mr. VOIGT. In order to get up a guaranty fund?

Mr. MARSH. In order to create a fund, part of the proceeds of which could be so used and the inherent risks of agriculture should be underwritten by the country as a whole.

Mr. VOIGT. If the farmers of the entire country covered that by a system of insurance, they would not be the losers for this reason: If there is a crop failure in one section of the country on a given

crop, the balance of that crop will probably sell for enough more to the men who have it to sell that they can afford to pay something on the insurance premium and make good the loss of the other fellow.

Mr. MARSH. You mean the insurance should be by specific crops—corn, we will say, and wheat, or beets, or cotton—instead of by general insurance on all the consumers?

Mr. VOIGT. I should judge that the way to do it would be for a man to insure so many acres of corn and so many acres of wheat and so many head of stock, etc.

Mr. MARSH. We could not draft the bill, but the question is so vital that it ought to be studied carefully and a plan worked out. But the fact is that the individual farmer is getting very sick and tired and discouraged at trying to carry the inherent risks of agriculture, and he wants to quit.

Mr. ANDERSON. What do you mean by the "inherent risks of agriculture"?

Mr. MARSH. The losses sustained from drought, from pestilence, hog cholera, floods, crop failures, or anything of that sort.

Of course, under such a scheme of underwriting the farmer would have to comply with certain provisions and rules. But that risk is what the individual farmer carries to-day.

I do not hesitate to say that although I have been offered a very good salary in business—I am not getting here—I would hesitate to try to run a farm; and I think I have a reasonably good head on me. I worked on a farm a good many summers while I was going through college, and I made up my mind that there is too much risk in the farming business for me, and I do not blame any farmer for taking that position.

Does that answer your question, Congressman Anderson?

Mr. ANDERSON. How do you divorce the "inherent risks" the farmer takes from risks which are inherent to any business?

Mr. MARSH. Partly in this way: The farmer is the only person, practically, who can not put a price tag on his product. The shoe man, the cattle dealer, the United States Steel Corporation, always set their own prices. The farmer does not. He goes into the market and he says, "How much will you pay me?" And he takes what he can get, whether he breaks even or takes a loss. That puts him at a serious disadvantage.

Of course, one reason for that is because of the large number of farmers, and it would be extremely difficult, in fact, for a long time you could not effect a combination of farmers.

Those are inherent risks which the farmer in the present industrial organization ought not, we feel, to be asked to carry individually.

Mr. ANDERSON. The difficulty with a proposition of that kind, which always appealed to me, is this: That we can not separate the losses which are incident to the inherent risks of the business and the losses which are incident to the inherent incapacity of the individual.

Mr. MARSH. Well, I don't know——

Mr. ANDERSON (continuing). Of course, when a man's crop is destroyed by hail and he has hail insurance, that loss is a loss which is against all of those who have hail insurance.

Mr. MARSH. The line is clear on that, as you suggest, is it?

Mr. ANDERSON. Yes.

Mr. MARSH. How about terrible drought, or flood, or pestilence?

Mr. ANDERSON. All of those risks are of a definite character and are susceptible of ordinary commercial insurance. I supposed you had in mind something of a more indefinite character as representing the inherent risks of agriculture.

Mr. MARSH. Oh, no. I thought I mentioned those I have just gone over. Those are the chief ones—and that the insurance or the premium returned to the farmers should be sufficient to enable them at least to continue production. A lot of them are quitting production. We are going to have a lot of extremely important information gathered on that subject in this present census. Much of our definite information is 10 years old. But the increase in farm tendancy is a very unfortunate and widespread condition.

Mr. RAINEY. I wanted to ask you a question.

Mr. MARSH. All right, Mr. Congressman; with pleasure.

Mr. RAINEY. How many hearings have you testified before?

Mr. MARSH. Where?

Mr. RAINEY. That have been held here in Washington.

Mr. MARSH. In Washington?

Mr. RAINEY. Any of these hearings in which the packers were concerned.

Mr. MARSH. In which the packers were concerned?

Mr. RAINEY. Yes.

Mr. MARSH. I think I made a brief statement to the Interstate Commerce Commission, and I know I made a statement to the Senate Committee on Agriculture and Forestry. I think I did not appear before the House Committee on Interstate and Foreign Commerce—I am pretty sure I did not, because Mr. Gustafson and quite a group of gentlemen were present.

Mr. RAINEY. Those are all the hearings you have appeared in?

Mr. MARSH. As far as my recollection goes. There may have been some subcommittees. We had a number of men here from the West at a number of those hearings.

Mr. RAINEY. What is your business?

Mr. MARSH. I am secretary and director of legislation of the Farmers' National Council.

Mr. RAINEY. Are you a producer?

Mr. MARSH. Am I a producer? No; I am here by direction of the farmers to try and look after their interests and their rights down here at Washington. Of course, Mr. Hampton is managing director; I am assistant; and, of course, he will be glad to take up these questions quite in detail on Monday. I will be glad to answer what I can.

Mr. RAINEY. Do you own any farm land?

Mr. MARSH. No, sir.

Mr. RAINEY. Have you ever farmed?

Mr. MARSH. Oh, yes; I worked on a farm quite a bit summers while I was going through college. I got up at half past 4 or 5 in the morning and worked until 9 at night.

Mr. RAINEY. How many years did you farm?

Mr. MARSH. Several summers.

Mr. RAINEY. Just during the summer?

Mr. MARSH. Yes.

Mr. RAINEY. While you were attending college?

Mr. MARSH. Yes.

Mr. RAINEY. You have not farmed any since?

Mr. MARSH. No.

Mr. RAINEY. Are you paid a salary by this organization?

Mr. MARSH. Yes.

Mr. RAINEY. What is your salary?

Mr. MARSH. Will you ask the packers and their attorneys and all of them to tell you the same?

Mr. RAINEY. I am asking you.

Mr. MARSH. Will you ask the packers and all their attorneys and representatives to do the same?

Mr. RAINEY. I am not to be interrogated.

Mr. MARSH. All right. You do that, and I will give you mine under oath along with theirs. I have it right here in the shape of figures sent the internal-revenue collector.

I am going to say this, Mr. Congressman—do not forget it—the farmers are going to insist on the right to select their own representatives and to present their case in any way they want to; and they are not going to subject themselves or let their representatives be subjected to questions which are not put to the big interests whom the farmers are fighting.

Mr. RAINEY. Do you think that the organizations which have been represented here, the various organizations, favor your attitude and conduct and——

Mr. MARSH. I know——

Mr. RAINEY (interposing). Wait till I finish my question.

Mr. MARSH. Pardon me.

Mr. RAINEY (continuing). Do you think they would favor your reading that letter before this committee?

Mr. MARSH. I think they would favor it decidedly, and I am sending them your expunged testimony.

Mr. RAINEY. My what?

Mr. MARSH. Your expunged testimony.

Mr. RAINEY. What do you mean by that?

Mr. MARSH. What you drew those lines through.

Mr. RAINEY. You say "expunged"?

Mr. MARSH. Yes; "expunged testimony."

Mr. RAINEY. What did I expunge?

Mr. MARSH. You ought to know; I have a copy; I have not got it here.

Mr. RAINEY. Corrections I made?

Mr. MARSH. No. What you expunged when you said something about the members here.

Mr. RAINEY. I can not recall that.

Mr. MARSH. I will read it into the record with pleasure.

Mr. RAINEY. You do not——

Mr. MARSH (interposing). I will read it into the record.

Mr. RAINEY. I wish to state that I can not recall expunging any suggestion I made, but I corrected an answer I made to Mr. Anderson, and so informed him to-day. Is not that correct, Mr. Anderson?

Mr. ANDERSON (in the chair). I think Mr. Marsh has reference, Mr. Rainey, to the colloquy between yourself and the chairman of the committee at the beginning of the hearings, in which you stated that

you would withdraw a certain statement. I do not recall what it was that was objected to.

Mr. RAINEY. I did not expunge any suggestions that I offered, but Mr. Anderson calls my attention to that, and at that time——

Mr. MARSH (interposing). The clerk of the committee is here, if you will ask the clerk of your committee—this is in the record, to bring down that hearing, and I will read you what is left out and what you said there. You struck it out and it is not in here.

Mr. RAINEY. I will be glad to have you put it in, because there is not a word I suggested I care to have expunged.

Mr. MARSH. Very well; I am glad to hear that.

Mr. RAINEY. Some reference was made early in the hearing, and I was very happy to ask permission to withdraw that statement.

Mr. MARSH. I am also sending to most of the farm papers of America your statement here, because, to be very frank with you, since all these hearings have been held which you chronologically narrated and the farmers have not had, as I said before you came in—the farmers and producers generally have had no relief, when you talk about misrepresentation of facts, etc., the American people want to know why they have had no relief.

Mr. RAINEY. I will be very happy if you will assist me in getting acquainted with the American people.

Mr. MARSH. I think I am doing it quite effectively, getting them acquainted with you.

Mr. RAINEY. I hope you succeed in doing that, sir, because I know they will appreciate me more than you do; at least your attitude toward me would so suggest.

You spoke of Illinois and three representatives on this committee. It was explained to you how these committees are made up. The Republicans of the Committee on Committees name their committees and the Democratic members of the Ways and Means Committee name representatives for their party.

Now, if Illinois has three members and if in the fourth congressional district all of the packers have their industries and 25,000 to 50,000 people are employed in these industries, do you think that the people engaged in these industries are not entitled to representation on this committee?

Mr. MARSH. I think, Mr. Rainey, that the packers have always looked after themselves with wonderful success and ability, and I think whether they had a representative on the committee or not they would defend themselves. But do I interpret your question to mean that you are entitled to be on this committee, an attorney for the packers?

Mr. RAINEY. No; that is your idea of it.

Mr. MARSH. I am asking you.

Mr. RAINEY. You are anxious to so interpret it and have it understood that way, and you have so inferred, and I resent it most emphatically.

Mr. MARSH. You may feel entitled to do so.

Mr. RAINEY. And I think that it is overstepping the bounds of courtesy extended to witnesses who appear here to criticize members of the committee. I resent it, and I feel sure that my associates on this committee resent it also.

Mr. MARSH. I am answerable to those for whom I am speaking and I cheerfully assume that responsibility.

Mr. RAINEY. Does your organization stand for the same things that were suggested here by Mr. Atkinson and Mr. Lyman and Mr. Sykes—I do not know whether Mr. Lasater represented an organization or not?

Mr. MARSH. Mr. Lasater is a member of the Farmers' National Council. Mr. Hampton is managing director, and he will be here and go into full details on Monday. I hate to anticipate his statements. He will be here, however, and answer that, if you would just as soon put it up to him.

Mr. RAINEY. You spoke, I think, of 17 or 18 farmers who are in the House of Representatives.

Mr. MARSH. That was last session. I have not looked up the figures of the occupations this session for this Congress.

Mr. RAINEY. Do you feel that the Congress has failed to enact legislation that has been of benefit to the farmers?

Mr. MARSH. Do you know of any farmer who does not know that Congress has failed to enact legislation that the farmers have needed?

Mr. RAINEY. I am asking you.

Mr. MARSH. My answer is a sufficient one; my question is a sufficient answer, I think. Of course, Congress has failed to do that.

The farmers asked you to make some of these profiteers pay a reasonable amount of the war expenses.

Mr. RAINEY. Do you know whether——

Mr. MARSH (interposing). Pardon me. I am going to give you a straight, direct answer. The farmers asked you to do that, and you did not do it. The farmers asked you for $2.46 for wheat, and you did not grant that; but you kept the lid off on cotton, and the farmers though they were getting a minimum wheat price, but it was manipulated by Mr. Barnes and others into a maximum wheat price, and the farmers lost hundreds of millions of dollars.

I might go on down the line.

I will add this: Of the organized farmers of America— and I do not take into consideration the city members of the National Grange or the Federation of State Farm Bureaus—a very large proportion— but of the organized bona fide farmers of America, nearly four times as many officially requested that the period of Government operation of railroads be extended for two years, as urged the return of the roads, and you sent the roads back, with the result that rates will run up 35 to 40 per cent.

Mr. RAINEY. Are you——

Mr. MARSH (interposing). I am not through.

Mr. ANDERSON. That was not the Agricultural Committee.

Mr. MARSH. Well, labor was pretty nearly unanimous on it.

I can go on quite at length. But I will not submit a further list. You had another question, I think?

Mr. RAINEY. Do you know that when the farmers are interested in legislation here that the House has on several occasions overrode the veto of the President and enacted legislation by two-thirds vote in favor of the farmers?

Mr. MARSH. Is that the daylight-saving law that you refer to?

Mr. RAINEY. That is one.

Mr. MARSH. That is one. Is not that a grand present to give the farmers a little chance to work a little longer. They would just as soon get a chance to make a little better living.

I was going to add the continuous demand for packer legislation.

Mr. RAINEY. Did not the House pass $2.46 wheat?

Mr. MARSH. I think not.

Mr. RAINEY. Are you sure?

Mr. MARSH. $2.46 wheat?

Mr. RAINEY. Yes.

Mr. MARSH. And the President vetoed it?

Mr. RAINEY. I am asking you whether the House and Senate passed it.

Mr. MARSH. Did they pass it over the President's veto? Did they make it effective?

Mr. RAINEY. You should answer the question directly. Did they or did they not?

Mr. MARSH. They did not—Senator Gronna's bill or any $2.46 bill. I know it was not made effective. That I know very well; and the House and the Senate could have passed it over the President's veto if they wanted to, as was shown in the case of the daylight-saving proposition, which, of course, the farmers did want. There is no doubt but they want a lot of other things.

Mr. RAINEY. Your testimony is not that of a real farmer? You are not a practical farmer; you are a theoretical farmer?

Mr. MARSH. My testimony is that of a man retained by the farmers, and I am responsible to them and no one else for my qualifications, and I am answerable to them.

Now, the farmers have lots of practical farmers who work hard. I do not know much about practical farming; that is not my end. But I do know this, the farmer is to-day infinitely more concerned with the big economic questions and the distribution of what he produces, because he has spent lots of money on the Agricultural Department telling him how to work longer and produce more, and he is running behind throughout the country, with some exceptions, and trying to make up by the most uneconomic thing imaginable—the increase in the selling price of farm land. That is all that has saved the farmers, hundreds of thousands of them from going broke. And I am here to look after the needs of the farmers, and I take my orders and instructions from them. If they asked me to do something I could not approve of, I would quit.

Mr. RAINEY. You are not a practical farmer, then?

Mr. MARSH. No; I am not a practical farmer; in fact, I do not know practical farming. I do not talk about those technical questions, but we have experts who do talk on those subjects. But I am talking of the reconstruction program of the farmers and their legislative program.

Mr. RAINEY. You are talking about the farmer membership of the House. Why did not some farmer Member introduce this bill? Mr. Anderson, the author of the bill is a lawyer.

Mr. MARSH. Yes; he is from a farming district. Perhaps the farmers realized that they were going up against the House of Representatives, 90 per cent of whom are lawyers, and that a lawyer would be a very safe man, if from an agricultural district, and who knew the situation, to introduce such a bill.

The farmers knew what they wanted in the bill.

This is an interesting point, however. In the State of Washington no bill which the farmers have drafted and passed the legislature has ever been declared unconstitutional. Lots of others have.

I reckon the farmers would have drafted a much simpler bill than this one is, but it took a lawyer of Mr. Anderson's ability and integrity to draft this bill and make it fit in with other things. For instance, you take that amendment to the transportation section. That has to be carefully drawn. Ordinarily we would say the railroads "shall provide stockyards and refrigerator cars," and the ordinary farmer would not know that you have got to say "the term 'transportation' as used in so and so shall be deemed to include so and so." And he would say, "If we farmers went that far around the field to get something right, we would think we were most inefficient." But, it is the legal method now.

Has the clerk of the committee gotten that statement of yours which I want to put in to keep the record straight?

Mr. RAINEY. I do not know. I would be very happy to put it in though. I do not know what statement you refer to.

Mr. HAUGEN (clerk to committee). The stenographic transcript has been cut up and printed in pamphlet form. It is, however, on file in the committee rooms.

Mr. RAINEY. I would be very happy if it is the desire of the committee to have that in, to see that it is inserted. I took it, however, when I made the suggestion that it was not the desire of the commitee to have it in, and I very courteously said I would be pleased to withdraw it.

Mr. MARSH. I have it and I will file it with the stenographer for insertion, if I may.

Mr. RAINEY. If it meets the approval of the committee, it is perfectly agreeable to me. I really do not know what Mr. Marsh refers to, but I said I would be glad to have it go in if it is agreeable to the members of the committee. However, I think that the committee should decide that, and not the witness.

The CHAIRMAN. I have just come in. What is the question?

Mr. RAINEY. The witness has referred to some statement that I "expunged" from the record, and I do not remember expunging any statement I made from the record. Mr. Anderson reminded me of some statement I made when the hearing began, and at that time I said I would withdraw that statement. What that was I am sure I could not say.

Mr. ANDERSON. It was some statement with reference to what the Members of the House had to say, or something of that sort, in private conversation.

The CHAIRMAN. What is the objection to withdrawing it? Is there any objection to withdrawing it?

Mr. RAINEY. I have no objection to it, except that the witness here objected to it.

Mr. MARSH. I stated, Mr. Chairman, that I was sending that statement out over the country, and I would be very glad if I could read it into the record.

Mr. RAINEY. Have you a copy of it before you?

Mr. MARSH. No; I have not. If I had, I would ask permission to read it right in here. However, I have it in my office.

Mr. RAINEY. You say it is in the record?

Mr. MARSH. In the record? I have a copy of the record, but that statement has lines drawn through it. I think you were asked to mention names of certain individual Members. It was after your statement [reading]:

I further stated on my return to Chicago I would call on the representatives of these industries and give them my idea of legislation here, and what they should do.

And preceding the language [reading]:

When I went back home I called on Mr. Thomas Wilson, of Wilson & Co., and Mr. J. O. Armour.

It came in between those two.

The CHAIRMAN. Was it in the typewriten record furnished by the stenographers?

Mr. MARSH. Was what included?

The CHAIRMAN. The matter under discussion, that you have referred to.

Mr. MARSH. It was in the stenographer's report and not in the printed report.

The CHAIRMAN. Of course, you will accept what went into the stenographer's report.

Mr. RAINEY. It was stricken out, as I gather, at that time, and you stated it should not go into the record, and I said I would be very glad to withdraw my statement.

The CHAIRMAN. And you withdrew it with the approval of the committee?

Mr. RAINEY. Absolutely.

The CHAIRMAN. It will then remain out of the record, if that was the order of the committee. I do not recall what was done, but that is a matter of record. It can be taken up later by the committee.

Mr. ANDERSON. If Mr. Marsh has concluded, I suggest an adjournment until Monday morning at 10 o'clock.

Mr. MARSH. Mr. Hampton will be on hand Monday morning.

The CHAIRMAN. On Monday the hearing will be in the regular committee room on the fourth floor of this building. The committee will now stand adjourned until 10 o'clock next Monday morning.

(Thereupon at 5.05 o'clock the committee adjourned, to meet Monday, March 8, 1920, at 10 o'clock a. m.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

MONDAY, MARCH 8, 1920

PART 11

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON COMMERCE,
HOUSE OF REPRESENTATIVES,
Monday, March 8, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Anderson, you may proceed.

Mr. ANDERSON. Mr. Hampton, are you ready to go ahead now?

Mr. HAMPTON. Yes, sir.

Mr. ANDERSON. You may proceed, Mr. Hampton.

STATEMENT OF MR. G. P. HAMPTON, MANAGING DIRECTOR OF THE FARMERS' NATIONAL COUNCIL, CHAIRMAN OF THE BOARD OF THE ALL-AMERICAN FARMER-LABOR COOPERATIVE COMMISSION, CHAIRMAN OF THE FARMER-LABOR CONGRESSIONAL COMMITTEE, BLISS BUILDING, WASHINGTON, D. C.

Mr. HAMPTON. Mr. Chairman and gentlemen of the committee, my name is G. P. Hampton, and I am the managing director of the Farmers' National Council, chairman of the board of the All-American Farmer-Labor Cooperative Commission, and chairman of the Farmer-Labor Congressional Committee. My address is Bliss Building, Washington, D. C.

As I understand it, in coming before this committee, the committee will desire that I indicate the character of the campaign to secure this legislation which the Farmers' National Council and the farm organizations affiliated therewith ask this committee to enact. The committee of the Farmers' National Council which has this particular matter in charge is the farmers' national committee on packing plants and allied industries.

I should say that the educational work to consider the advisability of organizing a campaign to secure such legislation is an outgrowth of the report by the Federal Trade Commission. After preliminary investigations upon the part of the Farmers' National Council itself, beginning in January, 1918, in August of that year the farmers' national committee on packing plants and allied industries was organized. The committee conducted the campaign under the direct auspices of this committee until January, 1919. In January, 1919, a special conference of the various farm organizations of the United States was held in this city to determine upon a joint legislative program, realizing the need of greater unity of action as a result of the great problems that had come to the front as the result of the Great War. That conference was held and

adopted this reconstruction policy and program of American farmers. I will read into the record the organizations which were represented at that conference. This was officially and unanimously adopted at the Farmers' National Conference on Reconstruction in America and International Reconstruction, held at the National Hotel, Washington, D. C., January 7, 8, and 9, 1919. The conference was attended by representatives of the American Society of Equity, the National Gleaner Federation, the National Non-Partisan League, several State granges, State farmers' unions, the Stock Growers', Wheat Growers', and Dairymen's Associations, with a total membership of 750,000, and a number of smaller organizations. Six weeks prior to the assembling of the conference a special joint committee of the leading farm organizations met at the Farmers' National Headquarters, Washington, D. C., and drafted a tentative reconstruction program. This tentative program was published extensively in the farm press and submitted to the farm organizations for discussion and made the basis of instructions to the delegates to the official conference.

This program thus carefully considered includes the chief measures which united farmers will seek to have adopted as the permanent policy of the country. It can accurately be designated the fighting reconstruction program of the forward-looking farmers of America.

It is optional with me, Mr. Chairman and gentlemen of the committee, whether this entire program is read into the record, but I do want to call your attention to the specific plank of the program which is the basis of our support of the Anderson bill, and which is No. 3 of the reconstruction program in America. It reads as follows:

The revelations by the Federal Trade Commission of the monopolistic control which the Big Five packers have established in the business of the manufacture and preparation of meat, their effort to control the entire food supply of the country, and their entrance into allied unrelated lines of business—an exposure revealing the direct connection and vital identity of interests of the packers and the big financial interests of the country—make it clear that the privileges which have enabled the packers to build up such a monopoly must be immediately terminated. The four following recommendations of the Federal Trade Commission to deal with the packing situation should be adopted as the permanent policy of the country.

These four points are the basis of our activity. [Continuing reading:]

That the Government acquire:

(1) All rolling stock used for the transportation of meat animals and that such ownership be declared a Government monopoly;

(2) The principal and necessary stockyards of the country to be treated as freight depots and to be operated under such conditions as will insure open, competitive markets, with uniform scale of charges for all services performed, and the acquisition or establishment of such additional yards from time to time as the future development of live stock production in the United States may require. This to include customary adjuncts of stockyards;

(3) All privately owned refrigerator cars and all necessary equipment for their proper operation and that such ownership be declared a Government monopoly;

(4) Such of the branch houses, cold-storage plants and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption. The same to be operated by the Government as public markets and storage places under such conditions as will afford an outlet for all manufacturers and handlers of food products on equal terms. Supplementing the marketing and storage facilities thus acquired, the Federal Government to establish through

the Federal administration, at the terminals of all principal points of distribution and consumption, central wholesale markets and storage plants, with facilities open to all upon payment of just and fair charges.

That is the end of the quotation from the Federal Trade Commission recommendations. [Continuing reading:]

Slaughterhouses should be constructed near sources of supply, and municipal slaughterhouses in all important cities.

That, gentlemen, is the basis of our educational work in support of the Anderson bill.

When that was drafted the railroads were under Government operation and it was anticipated that they would remain under Government operation and be continually operated by the Government. Modifications, of course, are necessary now that the railroads have gone back under private operation, but the essential fundamental principles are the same.

The position we take now in regard to the refrigerator cars and in regard to the stockyards is that they are essential parts of the transportation system and should be made such in this legislation.

Now, the question has been raised, not by the committee, I think but in the public press and on the statement of the representatives of a number of farm organizations that the Farmers' National Council does not represent any considerable part of the organized farmers of this country, and therefore, gentlemen, I will file with the committee some telegrams which I wired for and which I have received, stating my credentials, which I offer to be printed in the record.

Here is one from R. W. H. Stone, president of the Farmers' Union of North Carolina, addressed to me personally:

You have authority to represent North Carolina Farmers' Union in pending legislation to control the packers.

Here is a telegram from Grant Slocum, president of the National Gleaner Federation:

You are hereby authorized to represent Gleaner organization at all conferences on railroad bill and legislation affecting farm products.

Here is a telegram from C. H. Gustafson, president of the Farmers' Union of Nebraska, the largest State farmers' union in the United States and the largest in the Northern States:

Represent Farmers' Union, Thursday, railroad bill. Also before Committee on Agriculture, control packers.

C. H. GUSTAFSON.

I have here the journal of the proceedings of the fifty-third annual session of the National Grange, held at Grand Rapids, Mich., in November last, and I call your attention to the official report of the master of the Washington State Grange to the National Grange. From this report, on page 98 of the proceedings, I read:

We have stopped the senseless fight against labor, recognizing that labor's interest as producers is our interest, and the Washington State Grange and the Washington State Federation of Labor are working in complete harmony—and the labor men in our cities are cooperating with us in the establishment of markets and in eliminating the middleman. Labor in our State never asks the farmer how cheap he can produce, and the farmer bids him Godspeed in his efforts to better himself and his family, and we propose to lift ourselves out of this rut of long hours of drudgery instead of pulling the laborer back with us.

We are cooperating with and are a part of the Farmers' National Council and refuse to be pulling backward 40 years into some other organization that stands for nothing. We very much admire the council for its strong, progressive stand on all the vital questions of the day.

The CHAIRMAN. I have to attend a conference meeting on the water-power bill. I will leave Mr. Anderson in charge.

(At this point Mr. Anderson assumed the chair.)

Mr. HAMPTON. At the conference that was held a year ago in this city last January—January, 1918—is where the Farmers' National Council was organized and it was formed at that time by representatives of these progressive farm organizations for the express purpose of directing the campaign to carry their joint legislative program into effect.

I will file with the committee the report of committee on carrying out program. When the council was formed, it took over the responsibilities which had been assumed hitherto by the farmers' national headquarters and the various national farmers' committees then active, were made standing committees of the council, and the council was given authority to form such other committees as were necessary or desirable to most effectively carry out the full program.

The report of committee on carrying out program follows:

REPORT OF COMMITTEE ON CARRYING OUT PROGRAM.

[Unanimously adopted at the closing meeting of the conference at which the farmers' program on national and international reconstruction was adopted by official delegates of the leading farm organizations of the Nation.]

WASHINGTON, D. C., *January 7, 8, and 9, 1919.*

The farmers' reconstruction program covers such a broad field that there must be carried on simultaneously many lines of special work if the associated farm organizations are to cover the field with sufficient power to insure results and be able to meet successfully opposition from whatever quarter it may come.

Congress must be made to understand that this is a fighting program, that the farmers are united in its support and earnest in their determination to see that it is carried into effect.

To this end your committee recommends:

(1) That the organizations subscribing to the program associate themselves together in a national council of farmers to have charge of carrying into effect all those parts of the program not assigned to special committees, that the governing board of the farmers' national headquarters be the nucleus of the council, and that all farm organizations be entitled to representation in the council.

(2) That the various organizations, either separately or jointly, arrange for mass meetings of farmers within their jurisdictions to ratify the farmers' reconstruction program.

(3) That the present farmers' national committees on war finance, and packing plants, and allied industries be charged with carrying into effect the war finance and meat packing industry sections of the program; that national committees on conservation, transportation, rural education, marketing, and cooperation be formed to take charge of those sections of the program that would be properly assigned to them. That the Rural Credit League of America, which conducted the campaign for the land mortgage rural credit law, be reorganized to have charge of the rural credit features of the program. That the Postal Express Federation, which jointly with the Farmers' National Committee on Postal Reform, conducted the campaign for the parcel post, be reorganized to have charge of all matters relating to marketing through the parcel post and of legislation for improving the Postal Service, especially legislation that would consolidate the Parcel Post and the express service into a single Government parcel service; and that such other farmers' national committees or associations to be formed from time to time whenever the common interest of the associated organizations will be best served by joint action.

(4) That a farmers' nonpartisan congressional committee be formed (1) to assist the farmers' friends in Congress in their campaign for reelection; and (2) to aid in securing the election of farmers to Congress. This committee to be strictly nonpartisan and be guided in its support of candidates solely by their support of the farmers' program.

(5) That this conference appoint a delegation to attend the peace conference at Paris to urge the adoption of the farmers' international program and to look after the American farmers' interests generally in the organization of the League of Nations and in the new alignment of international relations; that a committee of three be appointed to confer with the delegates of the various organizations represented in this convention and report to this meeting recommendations for the personnel of this delegation, the delegation to be part of the committee on international reconstruction of the Farmers' National Council.

George P. Hampton, managing director Farmers' National Headquarters; delegate, State granges of the Pacific Northwest; J. Weller Long, secretary treasurer, American Society of Equity; C. H. Gustafson, president Nebraska Farmers' Union, chairman farmers' national committee on packing plants and allied industries; Western Starr, of Maryland, member governing board Farmers' National Headquarters; Grant Slocum, supreme secretary Ancient Order of Gleaners; J. D. Ream, master Nebraska State Grange; Arthur Le Sueur, secretary National Nonpartisan League; Herbert E. Baker, of Michigan, chairman board of governors, Farmers' National Headquarters.

Mr. HAMPTON. That program provided, in addition to looking after the legislative end, that we should take up the cooperative work and see if we could not bring about a union of the cooperative organizations of the United States so as to be able to put this country on a par with Great Britain and the other European countries in the wonderful development of cooperative work which has gone on there.

The outcome of that and the desire to bring about a great union of forces for our legislative program resulted in a conference being called in Chicago last November, a joint conference of the farmer and labor groups. That conference was held in November 21 and 22, and a joint legislative program adopted.

The first plank in that program I want to read into the record as bearing directly upon the matter before you. It is as follows:

1. The enactment of the Kenyon-Anderson bill to control the meat-packing industry.

The preliminary statement says:

It is our profound conviction that the adoption of this program is essential to secure industrial peace and to assure economic prosperity to all classes.

The membership of that joint legislative committee is as follows: George P. Hampton, managing director, Farmers' National Council; Warren S. Stone, grand chief, the Brotherhood of Locomotive Engineers; Dalton T. Clarke, president of the National Cooperative Association; C. H. Gustafson, president the Nebraska Farmers' Union; H. A. Fuller, vice president the American Society of Equity; Grant H. Slocum, president the American Federation of Gleaners; David A. Crosswhite, vice president Brotherhood of Railway Carmen; E. P. Curtis, vice president Order of Railway Conductors; G. H. McGill, organizer Cooperative Shingle Mills of Washington.

One of the things provided for at the Chicago conference last November was the holding of an all-American farmer-labor cooperative congress in Chicago on Lincoln's birthday and for as many days

thereafter as was necessary to complete the program. That congress was held. In round numbers 400 delegates representing the progressive farmer-labor forces of the country met, adopted a program, and organized the All-American Farmer-Labor Cooperative Commission, and among the resolutions adopted bearing upon this legislation was the following:

Resolved, That we especially indorse the principles of municipal and county food warehouses, provided in the Kenyon-Anderson bill for the control of the packers, as a feasible method of Federal assistance to the cooperative movement, and urge Congress to enact this bill promptly.

I think, if I am right—I have not been attending these hearings—that Mrs. Costigan has testified before this committee and has probably presented the resolutions adopted at the National Women Voters' Conference in Chicago.

Mr. ANDERSON. Those resolutions were presented by Mrs. Costigan to the committee.

Mr. HAMPTON. Then it is not necessary for me to offer them for the record here. However, I desire to call your attention to a part of those resolutions, namely:

That the food supply and demand committee be authorized to keep in touch with the progress of the proposed legislation and to cooperate with the National Consumers' League, the National Live Stock Association, the Farmers' National Council, and other organizations of like policy, in an effort to promote, through legislation, the realization of such principles and purposes.

Mr. Chairman and gentlemen of the committee, you have probably heard that there are a good many differences in the farm organizations; that frequently conflicting statements are made at times in the press as to the jurisdiction or the number of farmers that the various farm associations represent. At this time the Farmers' National Council is under especial fire from certain directions, but I want to call to your attention, gentlemen, two or three very significant facts: In this case it is really immaterial what national group of farmers the various farm associations affiliate with. There is a practically unanimity of opinion as to the desirability and need of this legislation. The farmers were no better organized when the effort was made to secure the repeal of the daylight savings law, but there is no one in the country, certainly no one representing the people of the United States in Congress, but what realize that the farmers were united, regardless of whatever difference of opinion there might be in the various organizations in demanding and asking for that repeal. In the effort to secure the extension of the governmental operation of the railroads for two years there has been a great deal of evidence submitted that the farmers were not united. That is a question that has to be settled by the farmers themselves in their various organizations between now and the time when we have a complete showdown in the various organizations. But in this matter of legislation to control the packers, gentlemen, there is no difference of opinion, so far as I have been able to discover, no essential difference of opinion. The National Grange, which took an opposite position on the railroad question to the Farmers' National Council and the State Grange affiliated with it, is in essential accord with the council on this proposition.

That is true of the National Board of Farm Organizations and, as I have said before, so far as I know, every organization of any standing that has been in existence long enough to have given this matter thorough consideration. For the purpose of showing that—I do not mean to say that the National Grange, for example, advocates the unqualified indorsement of the Anderson bill as the Farmers' National Council has done. I did not hear the testimony of Dr. Atkeson before this committee, but from the official statements he has made from time to time it is clear that the National Grange has taken a very positive position in demand for this legislation.

I want to read into the record some excerpts from The National Grange Monthly, from the official legislative letters to the members of the National Grange Washington headquarters.

Dr. Atkeson says:

The Kenyon-Anderson bill has been subjected to a continuous heavy bombardment, taking up at least nine-tenths of the time of the hearings, and conducted by a highly skilled general staff, coordinated as the "American Institute of Packers," which has a big office here, and which has handled the witnesses who came here with an admirable precision as to dovetailing statements and effective publicity. It has been fine—for the packers—unless it has been so fine that it has overreached itself.

Mr. TINCHER. What is the date of that?

Mr. HAMPTON. This statement appears in The National Grange Monthly, the official organ of the National Grange. The author of this, assume, is Dr. Atkeson.

Mr. TINCHER. What is the date?

Mr. HAMPTON. October, 1919.

Mr. TINCHER. That is after the Senate hearing, and that is based on what happened at the Senate hearings?

Mr. HAMPTON. Yes, sir.

Again, Dr. Atkeson says:

The Washington representative of the grange has given careful study to the whole question, and has drafted certain changes in the Kenyon-Anderson bill, thereby working out a grange packer control bill, which is now in the hands of the Committee on Agriculture.

That is the Senate committee again. [Continuing reading:]

This proposed bill is so drafted as to meet not only the two objections raised by those who sincerely oppose the Kenyon-Anderson bill, as pointed out above, but also to meet—and it is hoped correct—another defect which has not as yet been pointed out in any public hearing.

It is too early to say what will happen to the grange bill, but it has been prepared and submitted to Chairman Gronna as the contribution of the grange to this immense problem.

Again, in the same article, he says:

The proposed grange bill provides that an order of the commission shall become immediately effective, and not subject to a stay of execution pending appeal. In this difference from the Kenyon bill is believed to be its strongest feature, because the Kenyon-Anderson bill provides an automatic stay of proceedings of 30 days pending an appeal. In lieu of this the grange bill provides for the immediate enforcement of an order directed at the correction of the business practice which has been complained of, on which a conviction has been secured, violation of such order to be subject to heavy penalties, and then for the review of the entire proceeding in a proper court while the order is being enforced. This procedure it is believed will lead both parties to any possible controversy to desire final determination as soon as possible and thus

avoid the present interminable court delays in big business cases caused by the desire for delay on the part of accused business concerns. The "bath-tub trust" cases are still undecided after not less than eight or nine years in the Federal courts.

These are the big features of the grange bill. The bill is under consideration, and that is all that can be said of it at this time.

That was the same date, the same article, October, 1919.

Under date of January 1, 1920, in a news notice sent to the farm press for immediate release from the headquarters of the National Grange in this city, you find the following:

No indication can be seen that the much-discussed "compromise" between the Department of Justice and the packers will have any influence on legislation. This compromise is generally regarded as a victory for the wholesale grocers, but only the wholesale grocers seem to think that this is of public benefit. Cattle raisers who say they were hard pressed when only a part of the packer forces were used in the meat business now look ahead to the time when the whole power of the Big Five will be turned back to the meat buying and packing trade, and seem to fear more than ever for the future. Chairman Gronna states that if the text of the agreement with the packers is put into the record it will undoubtedly be given the consideration the facts and its political significance warrant.

The fact is that the time has come for a strict Government control over the packer business. This is not a matter of opportunism nor of higher nor of lower prices; it is because organized society has reached the point in its progress when the distribution of food, like that of railroad transportation, has become a matter of essential public concern in which the interest of the whole public is equal to or greater than that of any private interest engaged therein. The time has come for a law with teeth in it, for the Government control of this business; a law going as far as possible in establishing this public interest up to the point—but not beyond—of such an interposition of Government as would dominate the industry without overturning private ownership or private initiative. The proposed grange bill does this, and does it effectively and sanely.

One more quotation from the National Grange Monthly. This is Dr. Atkeson's department, "Legislative work." It is dated Washington, January, 1920, and appears in the January issue:

Packer legislation is "up in the air." Attorney General Palmer reports a definite agreement between the Government and the packers under which the Big Five is to relinquish all interest in the grocery and other subsidiary lines in which they are charged with having a large, if not controlling, interest. The packers are to retain meat and meat-products industries.

Chairman Gronna, of the Senate Committee on Agriculture, reports that no further hearings on the packer-control bills are necessary and presages early Senate action after January 5. Close observers suspect in the Palmer agreement a clever, and perhaps successful, maneuver on the part of the packers to defeat control legislation on the ground that it is no longer necessary. The grange packer-control bill has "teeth" in it. It will be noted that its presentation to the Senate Committee on Agriculture was the last move in the packer situation prior to the packers offering to compromise with the Attorney General. The one best suggestion just now is to keep the powder dry and get ready to pass the grange or some other equally efficient bill to prevent the necessity for a year from now trying to find out just whether or not the packers observed all of their understanding with an Attorney General who may then be the candidate of a great party for President.

I have seen that bill. I presume that it will be before this committee in your final consideration of this matter. It has some modifications from the bill that we have advocated, the Anderson bill, but if this committee adopts these modifications of the Anderson bill, of this grange bill, I do not think there will be any objection on the part of the farmers affiliated with the Farmers' National Council.

Now, Mr. Gustafson, the president of the Nebraska Farmers' Union, who is chairman of our committee on packing plants and allied in-

dustries, unfortunately was unable to be here. So far as the technical side of this argument and the presentation in support of our position is concerned, I assume that Mr. Lasater and Mr. Marsh, the director of our legislation, have handled that side, and other gentlemen will add something; but I think, gentlemen, when you go into executive session to consider this matter that this testimony of Mr. Gustafson before the Senate committee on this same bill should be taken under consideration by you, and I leave it to you whether you want this included in the record.

Mr. ANDERSON. What are the pages?

Mr. HAMPTON. The pages of the record are from 1628 to 1639 of the Senate record.

Mr. ANDERSON. Of the last Senate hearings?

Mr. HAMPTON. Of the last Senate hearings; yes, sir.

Following our custom in arranging for educational campaigns in support of measures of such importance as this, we recognize it is not only the farmers who must be in agreement and in harmonious coordination as to their efforts, but the various other organizations. We have already presented to you evidence that we were in close accord with the desire for this legislation with large bodies of organized labor, the railroad brotherhoods, for example, without any exception. We have also shown that we are in accord with the National League of Consumers and the League of Women Voters in their new great organization. We feel, however, that it is necessary to have some central committee which will be a kind of clearing house in which the representatives of these various activities are able to come together and determine that their work is harmonious and united, so that our campaign of education and our support of the measure shall be as effective as it can be possibly made with the minimum waste of energy or of means.

Such a committee has been organized. It is called the national marketing committee. The major purpose of that committee is to carry out and support the enactment of the legislation that is now pending before this committee, specifically referring to the Anderson bill. The chairman of that committee is Hon. William Kent, of California. A statement presented by him particularly referring to section 14 is the argument in support of that section that has carried the greatest weight with our people.

Without taking your time to read this statement, I think it should be incorporated into the record, so that you may have it before you.

Mr. ANDERSON. Without objection, it will be incorporated in the record.

(The statement of Mr. Kent, submitted by Mr. Hampton, follows:)

STATEMENT OF WILLIAM KENT, PRESIDENT NATIONAL MARKETING COMMITTEE, BLISS BUILDING, WASHINGTON, D. C.

Former Representative William Kent, as president of the national marketing committee to regulate the meat-packing and allied industries, has issued the following statement concerning the bill:

"The question before producers, consumers, and competing distributors is whether the great packers, having full control and abused control of the meat supplies of the Nation and the world, shall be forced into rendering service and prevented from widening the field of their conquest to include all foods. The question vitally touches every American household. If monopoly seized upon

the sustenance of life, all of us eat or starve at the pleasure of that monopoly. That the danger is with us, and is constantly growing, is abundantly proven by the findings of the Federal Trade Commission and the confessions of the packers themselves.

"With diffusion of knowledge we expect an irresistible tide of public opinion that will lead to controlling legislation by the Federal Government. Coincident with such control there must be developed through State and local agencies, old agencies that have been crippled by packer monopoly, and new and cooperative agencies, to bring producer and consumer nearer together, with better markets for the one and lower costs to the other.

"'We must remember,' said Mr. Kent, 'that the packers, under cross-examination at the congressional hearings last fall, admitted that they wanted a monopoly. Mr. Louis F. Swift, when asked why he bought up parts of the National Packing Co. for his own concern, stated "The object was to put them together in a large company like the United States Steel Corporation was done." Mr. J. Ogden Armour admitted that it was his theory "that it was a good thing for the country—for the consumer as well as the packers—that the packing business should be monopolized into one corporation."'

"The investigations of the Federal Trade Commission and the congressional hearings on the meat-packing industry show that the Big Five have gone far toward accomplishing their purpose. They have a capitalization of well over $500,000,000 and their combined sales in 1918 amounted to around $4,000,000,000. They are reported to have a wealth of about $1,000,000,000.

"The abuses of the great packers have long been a source of bitterness to the producers of live stock. The consumers of live stock have suffered no less from the packers' methods. Mr. Armour admitted at the congressional hearings last winter, 'The little packet will to-day make more money in proportion than the big packers will make.' While Mr. Swift, in answer to the question, 'Notwithstanding these economic and efficient principles of the big packing-plant establishments, still the small packing plants are realizing better profits on their investments?' replied, 'Yes, sir.'

"The inefficiency and wastefulness of the methods of the Big Five packing plants, coupled with their control of food prices, concerns the consumers of the country very vitally. I hope the consumers of the country will carefully study section 14 of the Kenyon-Anderson bill. It is an extremely important adjunct to the bill, furnishing suggestion and encouragement toward the establishment of distributing agencies that must be developed if there is to be any lowering in the cost of food.

"Under this section the Government, while refraining from making appropriation for the establishment of perishable foodstuff warehouses, abattoirs, or packing plants, or stockyards, sets up an agency in the Department of Agriculture to aid local communities in creating the facilities. This section provides that the Secretary of Agriculture may issue licenses for such local establishments to lower the cost of food, if the facilities of the applicant for licenses are found to be suitable and adequate and his financial ability and standing sufficient to assure the safe conduct of the business, and if the applicant agrees, as a condition to the granting of the license, to comply with all the provisions of this section and regulations made thereunder.

"This section stipulates specifically that the licensee must provide, when necessary and practical, adequate railroad connections with his place of business, maintain sanitary conditions, and in general conduct his business in the public interest.

"This section is based on the public abattoir and marketing system of the city of Edinburg, where men who have any large or small amounts of live stock can have their animals slaughtered, sold for them on commission, and stored for a reasonable length of time, and are assured a chance to reach the consumer. To extend this system to canning and dehydration of perishable vegetable food and to provide for the curing of fresh meat that fails of a market is but an extension of this idea. By the inauguration of such a system every community would profit by local trade now destroyed by the packer or any other monopoly. There will be clear opportunity for local and occasional shippers to put their perishable foodstuffs within the reach of customers. It is then up to the local authorities to see to it that the remainder of the channel is dredged so that the consumers may be able to connect with the supplies."

Mr. HAMPTON. Mr. Lasater, who testified before you, left for home yesterday, but before leaving he gave me a letter addressed to

the chairman of this committee, in reference to some matters brought before the committee by Mr. Borders, attorney for Morris & Co., and I submit this letter on behalf of Mr. Lasater to be presented to you gentlemen. I think I had better read the letter, unless there is objection.

(The letter referred to by Mr. Hampton follows:)

NEW WILLARD HOTEL,
Washington, D. C., March 7, 1920.

Mr. GILBERT N. HAUGEN,
Chairman Agricultural Committee of the House.

MY DEAR MR. HAUGEN: In view of what Mr. Borders, attorney for Morris & Co., stated before your committee on the 6th instant, and his making a part of your record a certain statement made by me for the Farm and Fireside magazine, I hope your committee will permit this brief statement to be filed as a part of your record.

You will recall that during Mr. O'Donel's testimony it was shown that during the nineties market conditions were exceedingly bad and a great many cattle companies were forced to liquidate. The interest that he now manages was acquired at this time by a foreclosure of bonds on a cattle proposition that went broke. These same conditions obtained throughout the entire cattle grazing section from the Rio Grande to the Canadian line. By the fall of 1894 cattle in this country were lower than they could be produced anywhere in the world.

Among my contracts the fall of 1894, to be delivered the spring of 1895, were 7,000 cows bought of the Kenedy Pasture Co., at $7 per head, the contract specifying cows from 3 to 8 years old. This was one of the best improved herds of cattle in Texas. This price was less than the hides were intrinsically worth. More than 26,000 head of cattle was contracted for the fall of 1894 on a comparattive basis as to the price with the trade just mentioned. The upbound in cattle prices commenced in 1895 and were continuous until and including 1900. During these seven years I bought and marketed many thousands of cattle, purchases and sales ranging from 10,000 to 26,000 head per annum. I caught the speculator's profit in the advance.

I bought during these years about 350,000 acres of ranch country, at prices 50 per cent less than the owners—which were largely Mexican families, whose forefathers had been granted these lands by the Mexican Government and by Spain—had considered them intrinsically worth in trading and trafficking among themselves for more than a generation. By improved ranch methods and improved live stock I greatly increased the returns from these lands, and by increasing returns increased values. At the time of my acquiring this territory there were less than a hundred people being afforded a means of livelihood on it. Now there are more than 5,000 people occupying this same territory. They have been brought there by my efforts, and the system of farming and marketing of dairy products has enabled the first generation to stick. Many have been paid for their farms and dairy herds, sold on time, and in no instance has a farmer moved onto this farm, bought his dairy herd on time, lost any part of his original investment. My community's experience has been the same as that related to the Senate Committee on Agriculture by Col. Pryor. Had I not supplied them with the dairy cow and developed a market for their product their holdings would inevitably reverted back to me to be used for ranch purposes.

Roughly speaking, I made about $800,000 in handling large numbers of cattle when prices were advancing from a point below cost of production to prices at or about cost of production. Several thousand dollars during these years has been made by improvements in the quality of cattle on the ranch for beef purposes by carefully planned and effectively executed breeding operations. This speculative profit in cattle was made between the fall of 1894 and 1900.

The gains from well-considered plans of improvement in breeding have been continuous; the enhanced value of real estate from 1894 to 1909, in round numbers, has been about equal to that profit made on cattle in speculation from 1894 to 1900.

I would like to call the attention of the committee to this fact: The profit I have made on real estate has not been the usual profit that is termed "unearned increment." The increased productiveness of these lands was effected by

myself by careful plan and efficient execution. The increased numbers of people that are now occupying this territory was brought about by my efforts. The $2,000,000 shown by my statement filed with your committee to have been about my net worth in 1909 does not represent gathered dollars, but does represent actual tangible wealth created by my efforts. I make a statement that will appeal to every member of your committee—that from a standpoint of national well-being there is a great difference between the accumulation of created wealth in the hands of an individual or corporation and the simple gathering in of dollars by an individual or corporation. No individual or corporation can create wealth without doing great good to his section, and frequently great good to a very wide area of our common country. The gathering of dollars is almost always against the public well-being.

A fair analysis of the Chicago packers' methods, covering a period of thirty-odd years, will show that their immense holdings are largely gathered dollars and not pay for services rendered or for created wealth.

I wish to call your attention to the fact that the extreme of low prices, production considered, on cattle for the past 50 years was from 1890 to 1894, when it has been shown conclusively that the five big packers had perfected their combination in restraint of trade.

Respectfully submitted.

ED. C. LASATER.

Mr. HAMPTON. Now, Mr. Chairman, and gentlemen of the committee, as briefly as I could have undertaken to show you how united not only the farmers but what may be termed the people of this great country are in asking for this legislation you are now considering. So far as I am concerned personally, and I believe I express the general sentiment, we either want the Anderson bill, or, as Mr. Atkeson, of the National Grange, has said, a bill still stronger and that has teeth in it. We do not want a bill which, after the legislation is enacted, will give no possibility of bringing about regulation and control of the food industry of this country in the way that we are asking for it, and according to the ideas proposed in this bill.

Now, gentlemen of the committee, it is not necessary for me to take up any further of your time unless you have some question you wish to ask.

Mr. ANDERSON (in the chair). Any questions, Mr. Wilson?

Mr. WILSON. No.

Mr. ANDERSON. Mr. Tincher, do you wish to ask any questions?

Mr. TINCHER. No, sir.

Mr. ANDERSON. Mr. McLaughlin, do you wish to ask any questions?

Mr. MCLAUGHLIN of Nebraska. No; not a thing, Mr. Chairman.

Mr. ANDERSON. Mr. Young, do you wish to ask any questions?

Mr. YOUNG. No, sir.

Mr. ANDERSON. Mr. Rainey, have you any questions?

Mr. RAINEY. I was just wondering, Mr. Hampton, whether or not you believe in Government ownership?

Mr. HAMPTON. Me, personally?

Mr. RAINEY. Yes.

Mr. HAMPTON. In Government ownership of public utilities; yes.

Mr. RAINEY. Well, let us say the packers, the matter we are considering now; how about them?

Mr. HAMPTON. No, sir; I do not.

Mr. RAINEY. Do you believe that the commission which is suggested should have the right to fix prices?

Mr. HAMPTON. No; I do not; I believe that the law of supply and demand should fix prices, but with certain limitations. And on that phase of the question I do not know that I care to say very much with-

out giving it some serious consideration before making a final statement on the subject. I recognize, just as in the war period, certain conditions in which the fixing of minimum prices may be desirable. But as to the fixing of prices, and the question of Government ownership of public utilities, they are two radically different matters. I do not think it is really relevant to this hearing, but I make a distinction personally, and I think most other people affiliated with us do, between what is clearly a public utility and what is clearly a private enterprise. The slaughtering of cattle, unless it is associated with certain monopoly privileges, is a private enterprise. The ownership of the means of transportation is a different proposition, as transportation is a public utility, private ownership ought not to be tolerated there. I agree most emphatically with President Wilson that private monopoly is indefensible, intolerable. It is bound to create injustice; it is bound to give special privileges to the few who will profit thereby to the injury of many.

Mr. RAINEY. Do you think that this proposed commission should fix profits?

Mr. HAMPTON. No; I do not know that I do. That is to me a minor question. I believe if you open up the ways of the development of trade that natural laws will give freedom to the industry; to the development of cooperative slaughter houses, that slaughter houses much more economically placed throughout the United States than now will result that what we now look upon as injurious comes from the monopolization feature of the business which the Anderson bill will eliminate; and that what is known now as the "Big Five," being divorced from any monopoly privileges can operate to the great benefit of the country just the same as any other packing plant.

Mr. RAINEY. Do you think that this proposed commission will mean higher prices for the producer?

Mr. HAMPTON. I should think it would, most decidedly.

Mr. RAINEY. On what ground do you base that opinion?

Mr. HAMPTON. Because it will tend to clear away certain conditions so that producers can produce at a profit. Unless it has effects in that direction the legislation will certainly be, so far as the producers are concerned, of doubtful value.

Mr. RAINEY. Do you think that we should legislate so as to arrange that the producer may have cost plus a profit?

Mr. HAMPTON. I do; but I firmly believe if you will absolutely abolish all the restrictions and special privileges that now surround the industry, cost plus a profit will naturally come as the inevitable result of free play from competition and from a natural development of the industry.

Mr. RAINEY. Do you think that the decree that has been entered having the packers to get out of the unrelated lines means higher prices for the producer?

Mr. HAMPTON. Possibly.

Mr. RAINEY. In what way?

Mr. HAMPTON. Well, I would not undertake to say in what way. Agreement between the Federal Department of Justice and the packers that kind that leaves producers and not only live-stock

producers but dairy producers, subject to the control of a centralized industry really leaves the situation, as stated by Dr. Atkeson, likely to be much more dangerous to them than it was before, because the packer's business is centralized upon these industries.

Mr. RAINEY. The packers being divorced in this decree from ownership of stockyards, what is your idea about the producer owning the stockyards?

Mr. HAMPTON. I do not think they should won them. I think they should belong to the railroads as a part of the transportation system of the country.

Mr. RAINEY. All right; that is all.

Mr. ANDERSON (in the chair). Mr. Rubey, do you wish to ask any questions?

Mr. RUBEY. No.

Mr. ANDERSON. Mr. Voigt, do you wish to ask any questions?

Mr. VOIGT. No, sir.

Mr. ANDERSON. I think that is all, if you have finished your statement, Mr. Hampton. The committee thanks you for your attendance.

Mr. Sykes, I think the American farm Bureau Federation would like to be heard about this matter; is that true?

Mr. SYKES. Yes, sir; that is true. Mr. Leonard would like to be heard if it is satisfactory to the committee.

Mr. VEEDER. May I ask Mr. Hampton just one question?

Mr. ANDERSON. Certainly, if he has no objection.

Mr. HAMPTON. I will be glad to answer any question you wish to ask me.

Mr. VEEDER. Just for information let me ask: You have used the term "monopolistic privileges" as surrounding the business, and at one point I think you referred to it as "surrounding the business generally," and at another point I think you referred to it as "surrounding the packing business." Just for information I would like for you to state what you mean by monopolistic privileges; what those monopolistic privileges are.

Mr. HAMPTON. Control of transportation is one of the monopolistic privileges that I have reference to. Control of any means for production or distribution to the disadvantage of their competitors is another one of the monopolistic privileges I had in mind.

Mr. ANDERSON. I presume you would include in that ownership of re-icing stations, refrigerator cars, stockyards, and other means or facilities of transportation?

Mr. HAMPTON. Yes, sir.

Mr. VEEDER. How do you figure that the packers or any other business control transportation?

Mr. HAMPTON. If they own a majority, or even a considerable number, of the refrigerator cars they certainly will have a powerful effect in controlling the distribution of meat products.

Is that all?

Mr. VEEDER. I have one other question I would like to ask: As I understand it you believe if the monopolistic privileges you have just described were taken away from the business generally, or particularly from the packers, that then the producer under the free activity of competition under the law of supply and demand would be able to receive cost plus a profit for his live stock?

Mr. HAMPTON. I think in time that would be the inevitable result; that is, provided, mind you, that all the privileges are [illegible].

[illegible]ER. How would an elimination of privileges that you have [illegible] which I suppose to be all you have in mind, how would [illegible] of these privileges bring about the result to the producer [illegible] a profit for their product? What would be the [illegible] which [illegible] the packers, for instance, of refrigerator cars, would enable the producer to get for his products cost [illegible] profit?

Mr. HAMPTON. I would not want the gentleman or any of the gentlemen of this committee to go away with the idea that I felt that merely [illegible] would bring about the result that the gentleman who [illegible] speaks of. I say this positively, however, that as [illegible] matter of fact if you are going to put agriculture, if you [illegible] put live-stock production, if you are going to put the [illegible] on a sound basis you have got to get it on a cost plus [illegible] basis and that has got to come.

As members of the committee, this legislation we are asking [illegible] is merely one of the necessary steps to accomplish that—a [illegible] system of cooperative work, an elimination of the unnecessary [illegible]. And I call attention to that word "unnecessary" as being [illegible] and advisedly. We want the elimination of every [illegible] middleman; and the necessary middleman from my [illegible] of view is one who in the process of distribution renders service [illegible] the producer and to the ultimate consumer.

Mr. [illegible]. May I ask a question there: How could you make the [illegible] of milk uniform if you followed that plan? Isn't there a [illegible] difference between cost of production in one locality and [illegible]?

Mr. HAMPTON. Yes; there is probably a great difference in the cost [illegible] of milk in different localities.

Mr. [illegible]. I know, but if you have worked that out I would like [illegible] what you have found to be the case. It is interesting to me.

Mr. HAMPTON. You understand that when we speak of cost plus [illegible] we are not undertaking to speak for every individual but for [illegible] general average. There is a certain average in all lines of [illegible], and some men will make a success of the business where [illegible] will fail; some are more efficient and exist in any particular [illegible]. But the point that is perfectly apparent to every student of the [illegible] general situation is that the most prosperous farmers are not on [illegible] cost-plus basis to-day, and if cost plus were the fair [illegible] return there is not the slightest doubt that for this better [illegible] farmers farming would be a very prosperous business, and [illegible] who would not come up to that average they ought to be eliminated. That is a fact, that if anyone is not efficient enough to come [illegible] a fair general average then they should take the consequences [illegible] eliminated.

Mr. [illegible]. Any business would be profitable if it was on a cost-plus [illegible]?

Mr. HAMPTON. Yes.

Mr. [illegible]. And it would be a very desirable situation to exist in [illegible] business in any country, would it not?

Mr. HAMPTON. It is a desirable situation to exist in any business, and as a broad general proposition it is the situation that exists in all businesses except in agriculture.

Mr. WILSON. We sometimes learn of people failing in other businesses?

Mr. HAMPTON. Oh, yes; because the people engaged in the business are not fitted for the business, or the specially privileged people whom they undertake to compete against are too much for them. We are not coming here asking this committee or the Congress for any special favors; we are asking merely for the opportunity of having agriculture placed on a fair basis.

Mr. WILSON. I have never given that phase of the business situation any particular thought, and as you mentioned it I was anxious to know what you had worked out. As you have given it considerable thought, I wondered what you had figured out.

Mr. HAMPTON. In every line of business that I have undertaken to study, and I have reviewed the situation from a pretty broad standpoint, I find that every business which continues is on a cost-plus basis. And not only on a cost-plus basis as to material and all overhead charges, but as to labor costs. The manufacturer and the merchant expects to make a profit on his labor just the same as on everything else, but that is not true of the farmer to-day. But the farmer, if he expects to put his business on a thoroughly sound basis, a basis that will make agriculture what it ought to be—a stable foundation for an enduring democracy, must put his business on a cost-plus basis, using the average as the basis upon which to estimate cost, and including in that basis of cost labor costs as well as all other costs.

Mr. BORDERS. May I ask the witness a question there?

Mr. ANDERSON (in the chair). Yes.

Mr. BORDERS. You spoke of monopolistic advantage from the standpoint of operation of refrigerator cars. Can there be any advantage, monopolistic or otherwise, where the operation is done at a loss?

Mr. HAMPTON. Yes; I think it is possible.

Mr. ANDERSON. The advantage might be increased by that very situation.

Mr. BORDERS. In what way?

Mr. HAMPTON. So far as I have been able to look into this problem not only from the standpoint of agriculture, but from the standpoint of the general welfare of the people, the major question to be considered is not efficiency, although that is stressed by most people, but equality of service. If service is inefficient we all suffer equally from the inefficiency, but equality of service is what we are all most vitally interested in, and to make that equality of service just as efficient as possible. The great trouble to-day, I believe, is that the packers, as well as a great many others, are finding a positive and material advantage from these inequalities of service. What they desire to maintain is inequality even if it means a sacrifice of efficiency. Efficiency to them, no matter what is said about it, is an entirely secondary matter. What they want to maintain is the inequality in their favor.

Mr. BORDERS. Do you not know it to be a fact that the packers have operated refrigerator cars for the last several years at a loss?

Mr. HAMPTON. No; I do not know it to be a fact.

Mr. BORDERS. Well, it is a fact.

Mr. HAMPTON. To me, however, even if it is a fact it is immaterial, as I have said before.

Mr. BORDERS. Have you read the report of the Interstate Commerce Commission on that very subject, made after an exhaustive investigation and much research?

Mr. HAMPTON. I do not think I have.

Now, Mr. Chairman and gentlemen of the committee, I stated that we have experts who are studying the technical side——

Mr. ANDERSON (in the chair). Permit me to suggest a question in regard to Mr. Borders' question. I think he has in mind the special car report of the Interstate Commerce Commission. I think the Interstate Commerce Commission stated in that report that not because of the way the packers operated freezing stations or icing stations but the fact that they could operate them at a lower cost than the railroads themselves could do it might act as a rebate of the rate. The same thing is true of the refrigerator car; the very fact that they are able to operate them and are in a position to operate their refrigerator cars at a loss operates as against their competitors in the form of a rebate.

Mr. BORDERS. They have got to operate these refrigerator cars. They have to get their fresh meats out of the packing houses so that the packers may buy the live stock of the producers.

Mr. ANDERSON. I understand.

Mr. VEEDER. The packers pay the freight rate without reference to the car. In addition, it costs them more to ship, because they operate these cars at a loss, and themselves perform the initial icing of them. So that if in the operation of the cars they get no reduction in rate, it is really costing more money.

Mr. ANDERSON. You understood that this is a matter of monopoly of facilities and of service?

Mr. BORDERS. I would like to ask this question on that very point: Isn't it to the advantage of the producer that the packers should have transportation facilities that will take the meat from the packing houses promptly and distribute it to the consumer so that the packer will be able to buy the live-meat animals offered for sale by the producers on the live-stock market?

Mr. HAMPTON. Yes, sir; with this difference——

Mr. ANDERSON (interposing). You ask, Isn't it to the advantage of the producer for the packer to have the refrigerator cars, for the packers to provide their own refrigerator cars? Mr. Hampton, the refrigerator cars should be available to the packers, but they should also be available to anyone who wishes to ship fresh meats and other things that require their service.

Mr. HAMPTON. That is true.

Mr. BORDERS. Do you not know it to be a fact that in the past the railroads did not and would not furnish the packers the necessary refrigerator cars?

Mr. HAMPTON. That may be true; but the fact is this, gentlemen: That the handling of refrigerator cars, no matter how it came about, no matter what necessity the packers might have been under in the past to secure their own refrigerator cars and operate them, that

ownership and operation has developed into giving the packers a monopoly of the distribution of meat products and formed an effective barrier in the way of the development of meat distribution or slaughtering in the hands of separate and private and small concerns.

But these questions are getting into technical matters of meat supply to which I have not given special attention. I have only considered them broadly and generally. I have too many other things to attend to. Here is Mr. Marsh, who is giving special consideration to the things you are raising in your questions, Mr. Borders. And Mr. Lasater, who was here last week, has given special consideration to these questions.

Mr. BORDERS. Do you mean to say that you are not qualified to speak on the subject?

Mr. HAMPTON. I mean to say that you would get a better and more effective answer to those particular questions from people who are making a special study of them than from me, as I have not made a special study of the problems of meat shipments.

Mr. TINCHER. I do not think it hardly fair to question Mr. Hampton's ability to testify or his qualifications by asking him something he did not offer himself as an expert on.

Mr. HAMPTON. I do not object to the questions at all. But they are questions that our other people would be better prepared to answer and would give more effective answers to. We necessarily, the same as everybody else, divide up our work. We have on our subcommittee men who are considering these questions, and I am only giving these particular questions general consideration. As the man who is held responsible for the final say, I do have the final say on many of these questions, but we have in the room Mr. Marsh, who is making a study of those matters, more so than I am, and he can answer them more in detail. But I do say this, that Mr. Gustafson, who is the chairman of our committee on packing plants and allied industries, has stated most positively, not only to me but to the Committee on Agriculture and Forestry of the Senate, that this control by the Big Five packers of the refrigerator cars and incidental things that are involved therein gives them an advantage in distribution of meat products that makes competition on the part of independent packers practically impossible, and that with this handicap eliminated the Nebraska farmers are ready to go into the packing business in a cooperative way themselves. I know also that we will be able to make connections with consumer groups as soon as we can get cooperative development along those lines.

Mr. LIGHTFOOT. May I ask a question there? You state that in ownership and control of refrigerator cars the packers have a monopoly of the service which they are anxious to perpetuate or retain. I would like to ask you if it is not a fact, disclosed by the record at every hearing that has been held before the Congress since this controversy arose, that the packers have stated from the very beginning that they were perfectly willing that the railroad companies should be required by law to furnish to all shippers all refrigerator cars needed in their business? Isn't it a fact that no witness for any packer has at any hearing at any time ever taken a contrary position to that? And furthermore, isn't it a fact that the recent railroad legislation contained a provision requiring railroad companies

to furnish to all shippers this facility? And furthermore, isn't it a fact that no packer nor the representative of any packer has ever appeared before any committee having these bills in charge in opposition to that provision? I ask you these questions because I wish the position of the packer to be made clear in the record at this time, as I think it is clear in all hearings. Isn't that a fact, so far as you have investigated the matter?

Mr. HAMPTON. Accepting that as a fact, Mr. Chairman and gentlemen of the committee, it seems to me that there is no real difference between the different parties who have appeared before you regarding the question of refrigerator cars. And therefore it seems to me there would be no objection on the part of anybody if the provisions in the Anderson bill or the Grange bill, or modifications along that line, include the absolute restoration of refrigerator cars, or, I mean, the placing of refrigerator cars entirely in the hands of the railroad companies, under such conditions as will make it necessary and mandatory upon the part of the railroad companies to furnish everybody ample service, and equal and efficient service. If we are agreed upon that point I am very glad to know it.

Mr. LIGHTFOOT. Well, I will state that the packers have always maintained that they desired no advantage whatever, but that the reason they own the refrigerator cars is that such cars must be constructed and handled differently from even the ordinary refrigerator car carrying vegetables. For one thing, meat must be suspended from the roof, and requires special equipment, and the railroads would not furnish that special equipment. The packers, in order to distribute these meats, constructed their own refrigerator cars adapted for this service, but they have never at any time opposed the railroads furnishing the same equipment to other parties, and they desire no advantage whatever in that respect. I think an examination of the testimony of the packers, and all their published statements, will bear out that statement. But there are other provisions in these bills which you refer to which they do object to, because it places unrestricted power in the hands of a political appointee to control their business; not to see that the packer or the producer has a refrigerator car, because there is nothing in this bill that gives the commission that power, as I understand it, but it gives the commission power to do a great many other things that would take from them the control of their own business, take that out of their own hands, subject to rules and regulations made by men who do not understand the business. That is the principal thing as well as other things to which our people object.

Mr. ANDERSON. Are you through, Mr. Hampton?

Mr. HAMPTON. Yes, sir.

Mr. ANDERSON. Mr. Leonard, are you ready to go on with your statement?

Mr. MARSH. Mr. Chairman, may I make a brief statement in relation to a question asked by Mr. Borders and others?

Mr. ANDERSON (in the chair). Yes.

Mr. MARSH. I will be glad to answer, but do not want to take the time this morning to make anything but a brief statement or to attempt to answer all of the questions. But as these questions have been asked I would like to make this suggestion: That the gentlemen

who represent the packers will prepare a list of the questions as they put them to Mr. Hampton, or to any others, and hand them to Mr. Hampton, and we will be very glad to try to answer them in the rebuttal which the committee has been kind enough to say we would be afforded an opportunity to make. We offer that as a suggestion and now add: Will the packers' representatives accept it?

Mr. TINCHER. The questions are in the record.

Mr. MARSH. I know, but they might have a whole lot of questions that they want to ask. Will the gentleman prepare them? They have them in mind, no doubt, and if they will prepare them and give them to us in a day or two we will try to answer them. We make this very generous offer in order to try to answer any questions that they may wish to ask.

Mr. VESTAL. We have probably asked all the questions that have come to our minds up to this time, and asked Mr. Hampton questions as they occurred to us in the making of his statement. Those questions are already in the record and may be secured by you. We will be pleased to have you answer those questions, and, if you wish, to have you elaborate upon the matter.

Mr. MARSH. I wish this record to stand that the Farmers' National Council's representative is asking the representatives of the packers to prepare a list of the questions which have been asked and which are desired to be asked, and that we will then endeavor to make our answers to them.

Mr. BORDERS. You can prepare an answer to this question anyhow: In reference to the stockyards, after live stock has left the farm and reached the stockyards, and has been put into the pens for rest, feeding, and water, how could that possibly be a transportation service?

Mr. MARSH. I have not taken that question verbatim, but the official stenographer has it in the record, and we can get it and give you an answer.

Mr. BORDERS. I will be glad to have you do so.

Mr. ANDERSON (in the chair). Mr. Leonard, please give your name and address to the official stenographer, and then you may proceed with your statement.

STATEMENT OF MR. HOWARD LEONARD, PRESIDENT OF THE ILLINOIS AGRICULTURAL ASSOCIATION, REPRESENTING THE IOWA FEDERATION OF FARM BUREAUS AND THE AMERICAN FARM BUREAU FEDERATION.

Mr. LEONARD. Mr. Chairman and gentlemen of the committee, I am here representing the Illinois Agricultural Association, the Iowa Federation of Farm Bureaus, and authorized to speak for the American Farm Bureau Federation.

Mr. SYKES. Who authorized you to speak for the American Farm Bureau Federation?

Mr. LEONARD. President Howard, of the American Farm Bureau Federation. I have his letter in my pocket, if the committee cares for it.

Mr. SYKES. Just read that into the record, please.

Mr. LEONARD (reading):

MARCH 8, 1920.

Hon. G. N. HAUGEN.

DEAR MR. HAUGEN: Mr. Howard Leonard, president Illinois Agricultural Association, and member executive association American Farm Bureau Federation, has full authority to represent both the above at the hearing on packer legislation.

Also, he has full authority to speak for the Iowa Farm Bureau Federation of 120,000 farmers.

Truly,

J. R. HOWARD, *President.*

Mr. SYKES. Who make up the membership of these various organizations?

Mr. LEONARD. The farmers of each State, as to the State associations, the individual farmers of the State. As to the American Farm Bureau Federation, that is made up of the State Farm Bureau Associations.

Mr. ANDERSON (in the chair). You may proceed with your statement.

Mr. LEONARD. I think, Mr. Chairman, I might say, first——

Mr. VOIGT (interposing). What is the total membership of these organizations that you represent here?

Mr. LEONARD. The American Farm Bureau Federation represents around 500,000 farmers at the present time.

Mr. SYKES. Would you state to the committee how many members of your executive committee are present at this hearing at this time?

Mr. LEONARD. I think nine, including myself.

Mr. YOUNG. All of them practical farmers?

Mr. LEONARD. Yes, sir.

Mr. SYKES. Just one more question: Has your executive committee at any time taken any action either for or against packer legislation as a committee?

Mr. LEONARD. Yes, sir; the executive committee in session passed unanimously a resolution approving of packer legislation and supervision.

Mr. WILSON. Let me ask you one question there: As to the membership of your organizations, how do persons become members?

Mr. LEONARD. Do you mean of the national association?

Mr. WILSON. Well, either one of them.

Mr. LEONARD. The individual farmer becomes a member of this farm bureau by paying in a membership fee.

Mr. WILSON. Of how much?

Mr. LEONARD. That varies from a dollar per year to $10 per year. In my own State we have a joint membership fee of $10 per county and $5 for the State association, the total membership fee to be paid by each individual farmer who joins the organization being $15. In other States it varies.

Mr. WILSON. Do they pay $15 a year?

Mr. LEONARD. Yes, sir.

Mr. WILSON. Are these 500,000 members of your organizatioon all paid up; do they keep paid up pretty well?

Mr. LEONARD. Yes, sir.

Mr. WILSON. What is done with this money that is collected from them?

Mr. LEONARD. It is used to promote the general work of agriculture. That may be divided into two parts: (1) That which is used locally, in counties, is used to increase production; and (2) the money contributed to State and national associations is used to look into the business of the state of farming, if you please, or the economic problems, both in a business way and in a legislative way.

Mr. SYKES. Mr. Leonard, Illinois is the only State that has a $15 membership fee, isn't it?

Mr. LEONARD. Yes, sir; I think so at the present time. The others vary.

Mr. SYKES. The other membership fees are less?

Mr. LEONARD. Yes, sir.

Mr. SYKES. I know that in Iowa its fee for membership is $5.

Mr. LEONARD. Yes, sir; and Michigan has a fee of $10, and it varies in the different States.

Mr. WILSON. How many farmers in Illinois belong to this organization and who pay $15 a year?

Mr. LEONARD. I would say 65,000.

Mr. WILSON. Sixty-five thousand farmers?

Mr. LEONARD. Yes, sir. And they are coming in so fast—I would explain that that was the last report I had the week before I left Chicago, but they are coming in at the rate of 1,500 to 2,000 a week

Mr. SYKES. What is the lastest report on the Iowa membership?

Mr. LEONARD. One hundred and twenty thousand.

Mr. SYKES. Who pay $5 a year?

Mr. LEONARD. Yes, sir.

Mr. SYKES. Among other things, you employ a county agent also in each county?

Mr. LEONARD. Yes, sir; the counties do.

Mr. SYKES. That is what I mean, the counties do?

Mr. LEONARD. Yes, sir.

Mr. ANDERSON (in the chair). Go ahead with your statement.

Mr. LEONARD. As an introduction to my statement I will say that I did not know I was to appear before your committee until a few hours before being called, and therefore I have no prepared statement to enter on your record to-day, but I hope that the opportunity will be given for the organizations I represent to file testimony at a later date, if we can secure the men I have in mind and can have them before the committee at the proper time.

Last summer when Senator Kenyon's first bill was introduced we had a hearing in Illinois jointly with the Iowa Federation, at which hearing the representatives from the packers gave their side of the case, and a member of the Federal Trade Commission was also present. We had there at the hearing, at which Mr. Swift, Mr. Armour, and Mr. Wilson represented the packers, a man from the Federal Trade Commission. From the statements made there our live-stock committee drew conclusions and made recommendations to Senator Kenyon. That same evidence——

Mr. TINCHER (interposing). That evidence was taken down, was it?

Mr. LEONARD. Yes, sir.

Mr. TINCHER Would you like to insert that in the record?

Mr. LEONARD. I would like the privilege of inserting it, but I have not got it here.

Mr. TINCHER. I move that it be put in.

Mr. ANDERSON (in the chair). How much is there of it?

Mr. LEONARD. It is a volume that thick by that wide by that long [indicating a pretty large volume]. I do not think you want all of that inserted in your hearing.

Mr. ANDERSON. Oh, no.

Mr. LEONARD. I think that all you want is the recommendation and the resolution of our separate association.

Mr. TINCHER. I would like for the testimony of the gentlemen you have named, Mr. Wilson, Mr. Armour, and Mr. Swift, to be inserted in our hearing.

Mr. LEONARD. We can get that for you.

Mr. TINCHER. I want that to go in if there is no objection.

Mr. ANDERSON (in the chair). I think that ought to be taken up when the chairman is present, and we will take it up and advise you later, Mr. Leonard. There is no objection, however, to the insertion now of any letter or any resolution or any other matter of the kind which you may want to present to the committee.

Mr. WILSON. Have you the testimony that Mr. Tincher speaks about with you?

Mr. LEONARD. No, sir; that is in our Chicago office.

Mr. ANDERSON (in the chair). All right, you may proceed with your statement, Mr. Leonard.

Mr. LEONARD. In a general way the recommendations were similar to the resolution which I have here, which was passed at the November meeting of the American Farm Bureau Federation [reading]:

1. When State or Federal Government grants corporate rights to any organization it is incumbent on that Government to protect the public through such regulative legislation as will best prevent favoritism, stimulate initiative, and guarantee adequate public service.

3. We recommend such regulation of all purveyors of foodstuffs, including packers, wholesale grocers, commission men, and all similar industries, in such manner as will be just and fair to producers and consumers as well as to the industries.

There is another feature at this time that we feel should be written into any bill; that is, a clause protecting cooperative organizations against discrimination. We have no suggestion as to how that should be done, but believe that it is essential. I might state that the recommendations of Iowa and Illinois were practically the same, although the meetings were held at separate times. And the one feature in which they differed from the Kenyon bill was with reference to the regulatory measure, which should be taken care of by a commission of five men. The National Federation would suggest, and we feel that it is essential, that any commission should have on it at least two members who are actual producers of livestock products.

I wanted to appear here for these organizations and go on record as favoring packer legislation. As I have already stated, gentlemen of the committee, I have no prepared statement to give you at this time, but if there are any questions I will be glad to try to answer them.

Mr. SYKES. Are you somewhat familiar with the feeding operations in Illinois?

Mr. LEONARD. In a general way; yes.

Mr. SYKES. I wish you would state to the committee whether or not your feeders are prosperous in Illinois or not?

Mr. LEONARD. No, sir; they are not. They are producing their stuff and sending it to the market at a loss. I can state from experience on that.

Mr. SYKES. Have any of them talked to you about their losses recently?

Mr. LEONARD. Yes, sir. Last week I talked to two men, or rather to one man, who told me that he got for the corn he fed into his cattle at the rate of 30 cents a bushel.

Mr. SYKES. What would that corn have been worth on the market?

Mr. LEONARD. Around $1.30 I would say at that time, and possibly $1.35.

Mr. SYKES. You know these people personally, do you?

Mr. LEONARD. Yes, sir.

Mr. SYKES. Would you consider them what we would call efficient feeders?

Mr. LEONARD. Yes, sir.

Mr. SYKES. Then you think they would be fairly representative of the general feeder of Illinois?

Mr. LEONARD. In a general way; yes, sir.

Mr. RAINEY. What is that land worth in Illinois that they fed the cattle on?

Mr. LEONARD. It runs from $250 to $500 or $600 an acre.

Mr. RAINEY. It would be more profitable for them to raise corn and sell the corn than to feed live stock?

Mr. LEONARD. This present year; yes.

Mr. SYKES. My idea right there is that the cost or value of the land had nothing to do with the feeding operations, because it is a case of where the man bought his cattle as feeders and fed them out and shipped them to market and sold them as beef animals.

Mr. LEONARD. Yes, sir.

Mr. TINCHER. Have you any other use for corn except to feed it to live stock or to make hominy?

Mr. LEONARD. No, sir; and we have too much hominy if we all raise corn.

Mr. RAINEY. Precious to the rider on this agricultural bill putting into force prohibition, they used corn for other things, didn't they?

Mr. LEONARD. I think so.

Mr. RAINEY. And as the result of prohibition it probably disturbed the price of corn?

Mr. LEONARD. I do not think so.

Mr. BORDERS. May I ask one one question right there? Does your organization favor legislation that would insure to the farmer cost plus a profit?

Mr. LEONARD. We feel that that is necessary; that the farmer must have a profit or he will not produce.

Mr. BORDERS. Well, that is really what you want?

Mr. LEONARD. Yes, sir.

Mr. ANDERSON. I would like to ask a question there: When you say you are in favor of legislation that will enable a farmer to get

cost plus a profit for his product, you do not have in mind that the legislation itself would bring about that result, but you have in mind legislation that will bring about an economic condition of equality of opportunity by which the farmer would get cost plus a profit for his product?

Mr. LEONARD. Yes. I think we all recognize the fact that this continual agitation is detrimental to both the producer and the consumer, as well as to the distributor. There is no question about that. There is no question in our minds that sooner or later regulatory legislation is bound to come, and we feel that the longer it is put off the more drastic it will be, and the more detrimental to everybody concerned. We feel that at the present time these should be regulatory legislation to stop this agitation and so that we may get down to efficient work, both in the interest of the producer and the consumer, as well as in the interest of the distributor of our food products.

Mr. LIGHTFOOT. When you speak of regulatory legislation do you have in mind some specific law, some specific provision, or do you have in mind the creation of a commission and the placing of unrestricted power in the hands of such a commission to control the business?

Mr. LEONARD. I do not know that I can answer that, except that we feel that some law, perhaps the bills that are before the House now, should be given consideration.

Mr. ANDERSON. Well, it is generally desirable, isn't it, Mr. Leonard, that when you impose obligations upon people that those obligations should be as definite and certain as possible, and that when you give authority to individuals or commissioners to represent the Government, that that authority should be definitely defined and as positively limited as possible?

Mr. LEONARD. Yes, sir; they should be responsible to somebody and should have authority sufficient to make their decrees effective.

Mr. MARSH. Mr. Leonard, does the American Farm Bureau Federation favor common carriers being required to acquire refrigerator cars and the principal and necessary stockyards as a part of the transportation service?

Mr. LEONARD. The ownership of refrigerator cars and stockyards is immaterial to us so long as we get efficient service; so that the public is served, in our opinion it is not material who owns these things, just so the service required is rendered.

Mr. MARSH. May I read a brief statement made by Mr. Thomas E. Wilson, of about eight lines, before I ask a further question?

Mr. ANDERSON. I have no objection if the witness has none.

Mr. MARSH. Mr. Wilson gave testimony in volume 2, page 1978, of the Senate hearings, held by the Committee on Agriculture and Forestry, as follows:

> Mr. WILSON. Now, on the other hand, the little fellow hasn't any chance at all under present conditions to spread out depending on refrigerator cars, because he can not afford to have a repair shop of his own; he can't afford to own cars enough for that and he can't have a staff looking after the expediting of the cars, which is an expensive proposition, and can only be maintained after you have a large enough business.

Now, I read that because I understood Mr. Leonard to say that the Farm Bureau asked for legislation which would protect cooperative

associations. And, quite an expert in the packing business, Mr. Thomas E. Wilson states that the little fellow has no chance under present conditions. I want to know, Mr. Leonard, whether the Farm Bureau would favor giving these cooperative organizations a chance and giving them protection by way of having the railroads own the refrigerator cars.

Mr. LIGHTFOOT. May I interpose there? Did not Mr. Wilson also say that he favored having the railroads own them in order to give the people whatever service they needed?

Mr. MARSH. I have just read here what he said at that point.

Mr. LEONARD. I think my answer would cover that point; that it is immaterial who owns the cars so that all interested parties get service, and, in my opinion, that would be one of the functions of a commission, so that the little man could get the service of refrigerator cars in each and every instance.

Mr. MARSH. What is your position as to the stockyards?

Mr. LEONARD. My position as to stockyards is the same as to refrigerator cars—that it be left to the commission; that when in their opinion ownership of the stockyards is detrimental to open competition, to an open and competitive market, that they shall be compelled to sell them. My answer to that question is the same as my answer to the refrigerator cars—it is immaterial to us who owns the stockyards or the refrigerator cars, so long as the service rendered to all concerned is equal and efficient.

Mr. MARSH. Does the American Farm Bureau Federation think there is no discrimination to-day under packer ownership of stockyards?

Mr. LEONARD. No, sir; it does not think that.

Mr. SYKES. In other words, you are not so much interested as to the form of the organization which owns the facilities as that they should be properly regulated, whoever they are?

Mr. LEONARD. Yes, sir; so that equal and efficient service will be rendered.

Mr. WILSON. I wondered if I understood you rightly in advocating a law that would assure to the farmer cost plus a profit for his products and produce. Did I understand you to say that you are in favor of such legislation?

Mr. LEONARD. I do not think you can get cost plus a profit by law.

Mr. WILSON. I did not think I understood you rightly, but wondered if I did.

Mr. LEONARD. No, sir.

Mr. BORDERS. But you favor legislation that will work around to where you will get cost plus a profit?

Mr. LEONARD. As an economic proposition; yes, sir.

Mr. WILSON. If that were true you would have to have the same kind of legislation for all kinds of business, would you not?

Mr. LEONARD. Possibly, but I can not answer that.

Mr. WILSON. What then would happen to the poor consumer, to the clerks, who have no such advantage? I am interested in them, because they are mostly in my district.

Mr. LEONARD. What clerks do you speak of?

Mr. WILSON. Not necessarily the clerks, but the salaried men, who are in my district in large numbers.

Mr. LEONARD. If they come to understand that unless the farmer gets cost of production plus a reasonable profit he will not produce, then there will be no disposition on their part to complain of a reasonable profit being given us. I think Mr. Hampton brought out the point that you could not fix a definite cost-plus price that would cover practically the whole country. I think our organization would take the stand that efficient production should be the guide. I know in our own State we are trying to improve efficiency, that the farm organizations are trying to produce foodstuffs cheaper and better in order that we may aid the consumer. But we feel that in order to accomplish that we must have some means of regulating distribution, and the only way we know of to get that is by regulatory legislation.

Mr. WILSON. Does it not seem like rather a big proposition to legislate along the line you suggest, where there is such a difference in the cost of production on the different farms and in the different localities?

Mr. LEONARD. Well, it might possibly be; I do not know.

Mr. TINCHER. As I understand you, Mr. Leonard, you favor regulatory legislation of the packers for the reason that you believe it will have the tendency to give the producer an equal chance, a fair chance; that it will have that tendency, and will create a sentiment or feeling on the part of the producer that he will have the assurance of cost plus a profit?

Mr. LEONARD. Yes, sir.

Mr. TINCHER. If that economic situation is brought about, isn't it true that it will have the result of increasing production and be a benefit in that way to the consumer?

Mr. LEONARD. There is no question about that.

Mr. TINCHER. And that is the kind of legislation that you are favorable to?

Mr. LEONARD. Yes, sir.

Mr. TINCHER. And the kind of laws you are opposed to are those laws which give to certain monopolistic interests a monopoly and have a tendency to injure both the producer and the consumer to the advantage of only one class, and that is the middle man?

Mr. LEONARD. Yes, sir.

Mr. TINCHER. I thought I understood you.

Mr. WILSON. If you had this cost-plus proposition in force would you limit the profit of the farmer to any extent, or would you just make a minimum profit?

Mr. LEONARD. I do not think we can fix a cost-plus price.

Mr. TINCHER. And you have not advocated any such thing?

Mr. LEONARD. No, sir.

Mr. ANDERSON. Mr. Leonard, some of these questions which have been propounded to you seem to indicate that it is a great crime for the farmer to require economic conditions which will enable him to get cost of production plus a profit. Of course, I am not referring to questions propounded by my friend, Mr. Wilson, or any other member of the committee, but I would like to ask: Isn't it a fact that every business man is seeking to get cost of production plus a profit to himself for everything he has to sell?

Mr. LEONARD. Yes, sir.

Mr. ANDERSON. That is an economic necessity?

Mr. LEONARD. Yes, sir.

Mr. ANDERSON. Every business man who finds that by virtue of artificial conditions he is prevented from getting cost plus a profit undertakes to secure a removal of those artificial conditions which prevent him from getting cost plus a profit for his production: isn't that true?

Mr. LEONARD. Yes, sir; that is true.

Mr. ANDERSON. The farmer is simply seeking to put himself in the same position with respect to his product as every man seeks for himself?

Mr. LEONARD. Yes, sir.

Mr. MCLAUGHLIN of Nebraska. And which he has done—every other man has done.

Mr. LEONARD. Yes, sir.

Mr. ANDERSON. Yes, sir; that seems to be the situation.

Mr. WILSON. I was interested in your statement for this reason, that I have a farm in Illinois, and I know that some years I get more than I do in other years—very much more. I was wondering if there was any possible way in which I could be assured a certain percentage on my product. I have never been able to figure it out myself, and I do not believe anyone else has.

Mr. LEONARD. I do not believe you could get it by legislation direct.

Mr. WILSON. And the cost-plus proposition to me in any line of business, by way of legislation, is not the way I look upon solving this great economic question at all. I am frank to say that. We have had the cost-plus proposition during the war in the building of cantonments, airplanes, and other things, and I find that it has been very unsatisfactory and a useless experiment and costly to the Government.

Mr. TINCHER. The fact that this Congress can not legislate by way of a guaranty to Farmer Wilson, of Illinois, of a definite fixed percentage on his farm products does not exclude the Congress from attempting to legislate so as to give Farmer Wilson, of Illinois, a square deal and to assure him that no monopoly will have the power to take the products of his farm and charge the consuming public just what they want to charge for them, and that he will not have the same protection under the law that they have.

Mr. WILSON. I might say to Farmer Tincher, of Kansas, that Farmer Wilson, of Illinois, and Farmer Wilson's father and grandfather have gotten along fairly well with their farm products in Illinois during the time that they have been farming in that great State; and from what Farmer Wilson, of Illinois, hears about Farmer Tincher, of Kansas, the latter has been unusually successful in producing farm products in the State of Kansas—more so than the farmers in the Wilson family had been able to do in the State of Illinois.

Mr. SYKES. Do you consider that the farmer and the producer of this country could be considered on the same basis as other lines of business, manufacturing products, such as the packers, etc.?

Mr. LEONARD. Yes, sir; the farmer is a business man.

Mr. SYKES. No; you did not get my question. I mean from the standpoint of cost of production and all those features. For instance, isn't it a fact that the manufacturer starts out on the theory

that he is going to have cost of production plus a reasonable profit, or he will not manufacture; isn't that true?

Mr. LEONARD. Oh, yes, sir.

Mr. SYKES. Well, now, the farmer does not start out on any such theory as that, does he?

Mr. LEONARD. No, sir.

Mr. SYKES. He has not in the past?

Mr. LEONARD. No, sir; not in the past. He simply produces and offers it to the consuming public.

Mr. SYKES. He simply takes his chances as to whether he will get cost of production, or whether he will get cost of production plus a profit, or whether he will have to take a loss; isn't that true?

Mr. LEONARD. Yes, sir.

Mr. RAINEY. Isn't that also true of the packer: That he dresses the beef animal and puts it into the refrigerator car and sends it on off to the Atlantic seaboard, and that when he ships his dressed meat he does not know, and can not know in advance, what it is going to sell for in the East?

Mr. LEONARD. I think that price is fixed before it leaves.

Mr. RAINEY. Are you sure about that?

Mr. LEONARD. I am not sure; no, sir. But it is my opinion that it is.

Mr. RAINEY. Have you ever been in any of the branch houses where they sell this dressed meat?

Mr. LEONARD. No, sir.

Mr. RAINEY. My understanding is that the different butchers or retailers come into the branch houses and offer certain prices for certain parts of the dressed carcass, a sort of bidding against one another; that there is competition in the purchase of it, and that there is no fixed price, and that the packer does not know in advance, and can not know in advance, what he is going to get for his dressed meat when he sends it on to the branch house.

Mr. LEONARD. I can not answer that, Mr. Rainey; but I will say that I have been in a butcher shop and heard our butcher call on the distributor in Peoria, and he did not bid on it. He asked what he could get it for; and he called up three or four houses, and he could not get it.

Mr. ANDERSON. And the prices would be the same all the way through?

Mr. LEONARD. Yes, sir. It was fixed at the other end, where the butcher was calling.

Mr. RAINEY. It might have been more profitable for the butcher you speak of to have gone to the branch house and bid against some of the other competitors, and he might have bought it at a more reasonable price.

Mr. LEONARD. I do not think it would have made any difference in that case.

Mr. RAINEY. But you do not know?

Mr. LEONARD. No, sir; I do not know; but it is my opinion.

Mr. MCISAAC. Isn't the real difference between the farmer and the general manufacturer that the manufacturer has a price list and the farmer has not; isn't that the sum and substance of the situation?

Mr. LEONARD. Yes, sir.

Mr. McIsaac. For instance, take the manufacturer of Yale locks, and he has a price list?

Mr. Leonard. Yes, sir; and using the Yale lock as a product, the manufacturer thereof fixes a price on it.

Mr. McIsaac. And the farmer has no price list?

Mr. Leonard. No; he gets what he can.

Mr. Borders. The Yale lock is a staple product?

Mr. Leonard. Yes, sir.

Mr. Borders. But are any two cuts of meat in the came condition? Are two meat animals the same, or will they dress the same?

Mr. Leonard. I can not answer that.

Mr. Anderson. So far as the price that the consumer pays, they seem to be very much alike?

Mr. Leonard. Yes, sir; it looks that way to him.

Mr. Young. We need not stop with that Yale lock proposition. Does not that go through the whole category of the manufacturing and mercantile world? Isn't it a fact that they all have their price lists; and I, as the consumer, must pay the price which they charge; whereas I, as a producer, whether it be of wheat or of cotton or live stock of any character, must simply go into the market and take what is offered, take the other fellow's offer, and that I have nothing to say myself as to the price? Isn't that the difference between all these lines of business?

Mr. Leonard. Yes, sir.

Mr. Welds. Mr. Leonard, do I understand that having the same price quoted by different branch houses of the packers you mean to say that there was an agreed price between them?

Mr. Leonard. Not necessarily.

Mr. Welds. You know, don't you, that in the case of any commodity on any market—for instance, if you have cotton in New York or in New Orleans—that you have to pay the going market quotation, the going market price, to whomever you buy it from?

Mr. Leonard. I might.

Mr. Welds. You know, don't you, that competition in any one market tends to level the price charged by all competitors; isn't that so?

Mr. Leonard. It might tend to level it; yes, sir; either up or down.

Mr. Welds. That is very common phenomena that you find in all competitive markets. Now, you say that the feeders in Illinois have been losing money. Do you attribute that to anything the packers have done?

Mr. Leonard. I attribute it to conditions; yes, sir; but whether the packers are responsible entirely or not I can not say.

Mr. Welds. Do you feel that they are?

Mr. Leonard. I feel that they have an influence on the margin of profit or loss in the operation of the yards, of the markets.

Mr. Sykes. That they have contributed to that condition?

Mr. Leonard. I think there is some contribution on their part.

Mr. Welds. In what way?

Mr. Leonard. In the matter that there is no free competition of buyers.

Mr. Welds. Are you prepared to say that there is no free competition among buyers?

Mr. Leonard. In my opinion, there is not.

Mr. WELDS. On what do you base that?

Mr. LEONARD. On my own experience.

Mr. WELDS. You find that there is no competition among buyers?

Mr. LEONARD. Not as free competition as there should be.

Mr. WELDS. Can you give us any instance where you have not received for your animals as much as they were worth, considering the price of dressed beef and by-products, the prices the packers got for the beef and the by-products?

Mr. LEONARD. I have not been selling beef.

Mr. WELDS. If we can show you, for example, that we have paid all that is humanly possible to pay, considering what we get for the beef and the by-products, would that alter your opinion at all?

Mr. LEONARD. I would not care to answer more than to say that it would be considered.

Mr. WELDS. If we can show you, for example, that we have been making no more than a dollar or a dollar and a half a head on cattle, and that we have used our utmost ability to sell our products to advantage, would that have any influence on your opinion?

Mr. LEONARD. It might.

Mr. WELDS. One other question. As to refrigerator cars, I understand that you would have no objection to the packers continuing to own their cars if the railroads were required to furnish cars to all other shippers that need them; is that your proposition?

Mr. LEONARD. I say it is immaterial who owns the cars provided everyone has equal service.

Mr. WELDS. You are not in favor of the cars being taken away from the packers providing the railroads furnish enough cars for the shippers?

Mr. LEONARD. I say it is immaterial who owns them.

Mr. WELDS. One other point: Did I understand that in reading that resolution you contended that such legislation should be applied to all distributors of food, including the packers?

Mr. LEONARD. That was the resolution passed in November, when Senator Kenyon's original bill was before the Committee on Agriculture and Forestry of the Senate.

Mr. WELDS. You are in favor now of legislation singling out the packing industry?

Mr. LEONARD. Simply because this bill provides that.

Mr. WELDS. Has your association taken action on special legislation regarding the packing industry?

Mr. LEONARD. Yes, sir.

Mr. WELDS. Did you read any such resolution into the hearings?

Mr. LEONARD. Yes, sir.

Mr. ANDERSON. And I think he said he would furnish us with nother resolution.

Mr. LEONARD. I read into the record a resolution which our American Farm Bureau Federation passed, but asked leave to submit ther evidence.

Mr. WELDS. Do you think that this kind of legislation should be xtended to other purveyors of foods?

Mr. LEONARD. Yes, sir.

Mr. WELDS. What is your idea—to take up one industry at a time?

Mr. LEONARD. I do not know that it is material whether we take them one at a time or whether they are all included together. This bill provides for packer legislation only, and that is the reason we are considering it now.

Mr. WELDS. I was trying to find out whether you thought it ought to be applied to all food industries.

Mr. LEONARD. To purveyors of food products.

Mr. WELDS. Is it your opinion that the same kind of legislation should apply to all industries whether purveyors of food products or not?

Mr. LEONARD. I do not care to answer that.

Mr. WELDS. Is there any special reason why the packing industry should be singled out?

Mr. LEONARD. Only that they are the largest handlers of our food products.

Mr. WELDS. Just because of their size would you single them out for action first?

Mr. LEONARD. Not altogether.

Mr. ANDERSON. Mr. Leonard, it would depend somewhat upon past performance?

Mr. LEONARD. Yes, sir.

Mr. ANDERSON. As to the desirability of legislation?

Mr. LEONARD. Yes, sir.

Mr. WEEDS. If we could show that there are no unfair practices, that there are no monopolistic practices, no unfair advantages, would that alter your position at all?

Mr. LEONARD. Do you mean that in connection with any of the holdings of the packers?

Mr. WELDS. No; in connection with the packing industry.

Mr. LEONARD. It would be considered.

Mr. WELDS. Do you believe there is a monopoly in the packing industry?

Mr. LEONARD. I can not say.

Mr. WELDS. You have no definite opinion on that?

Mr. LEONARD. No, sir; I am not prepared to say because I have not the evidence.

Mr. WELDS. That is all.

Mr. BORDERS. Do not you think the fact that the Government discouraged the eating of meat during the war has cut down the consumption of meat pretty much in this country?

Mr. LEONARD. I can not answer that, but do not think it did.

Mr. BORDERS. Have you given that any thought?

Mr. LEONARD. No, sir; not especially.

Mr. BORDERS. If it has, that would affect the demand for your product, wouldn't it?

Mr. LEONARD. If it went to any considerable extent, it would: yes, sir.

Mr. BORDERS. And if there is no export demand on account of the condition of foreign exchange, that would affect the price, would it not?

Mr. LEONARD. Yes, sir; naturally so.

Mr. BORDERS. Don't you think it is a fact that because the people are getting high wages now in this country they are inclined to eat the more expensive cuts of meat?

Mr. LEONARD. I presume that is so, but I do not know.

Mr. BORDERS. Would not that affect the price somewhat?

Mr. ANDERSON. This witness has not qualified as a meat expert.

Mr. BORDERS. Well, I understand that; and these questions are not asked for the purpose of putting the witness in any hole at all, but I want to see what he knows about the situation. Have you studied economic conditions surrounding either the purchase of live stock or the sale of meat enough to say whether the prices the producers are getting are justified, or whether higher prices would be justified?

Mr. LEONARD. Personally I have not.

Mr. BORDERS. That is all.

Mr. McISAAC. Do you know why the Government encouraged a lesser eating of meat in this country at the time that it did?

Mr. LEONARD. It was so that the meat should be available to be shipped away to our soldiers.

Mr. BORDERS. Oh, yes; there is no question that it was proper.

Mr. ANDERSON. And the record of the Food Administration shows that instead of consumption being reduced it was increased.

Mr. McLAUGHLIN of Nebraska. Absolutely so.

Mr. McISAAC. And a great deal of the meat that that time was being shipped to our Army abroad, but those men have since come back to our own country and are eating the meat in this country.

Mr. WELD. But the consumption of meat might have been a great deal larger at the present time but for the campaign carried on by the Food Administration.

Mr. LEONARD. I do not know about that.

Mr. LIGHTFOOT. I want to call your attention, gentlemen of the committee, to some of the evidence given by Mr. Wilson that was read into the testimony by Mr. Marsh in relation to the position of the little fellow, from page 1975, part 2, of the Committee on Agriculture and Forestry of the Senate, being a hearing on bill S. 5305. I wish to do this in order that you may understand fully what Mr. Wilson's position was on the question of refrigerator cars, and I will read just preceding the statement quoted by Mr. Marsh. Mr. Heney asks:

Mr. HENEY. You would rather have the Government operate the refrigerator cars and the stockyards, and let you be free to run your business as you please, than this licensing restriction?

Mr. WILSON. Yes; but that would have to have attached to it a provision that the Government should find a way to see that we got proper service from the refrigerator cars. I am not worrying so much about the operation of the stockyards.

Mr. HENEY. That is very important, that you get expeditious service with your refrigerator cars?

Mr. WILSON. Absolutely essential.

Mr. HENEY. But it is also very essential to the small packer that he should get cars?

Mr. WILSON. I am perfectly willing that he should. He ought to have them.

Mr. HENEY. For the welfare of the public and everybody?

Mr. WILSON. Certainly; and I am 100 per cent for the Government buying them and doing anything they want to, to give them all the cars they can use, and at the same time give me some if they will.

Mr. HENEY. And you ought to have them?

Mr. WILSON. I would like to have them. I need them. But I am perfectly willing that they should have them. Don't misunderstand me on that; I haven't any thought on any other line. The more they have, if they require them, the better I would like it.

That is in connection with what Mr. Marsh read.

Mr. MARSH. Since the point has been raised I want to say that I read an extract from Mr. Wilson's testimony, and did not assert that he was opposed to it, and pointed out that one of the biggest packers, one of the Big Five, who have certainly the best opportunity to get refrigerator cars, admitted that the little man did not have a chance to get his own refrigerator cars, and that knowing that Mr. Leonard and ourselves are united in realizing the absolute necessity for developing cooperative associations it seemed to us we would agree upon the necessity for the common carriers owning these refrigerator cars in order that the little man might have a little chance to compete with this—what is it? You gentlemen can get the figures later—this tremendous capitalization of the packers.

Mr. VOIGT. From the testimony of Mr. Wilson which has just been read here do you assume that Mr. Wilson is in favor of the refrigerator cars being owned by the railroads?

Mr. MARSH. I have not taken his testimony as a whole. It has been some days since I have read his whole testimony. I do not want to answer for him, but I think he is not in favor of the carriers owning all of the refrigerator cars and the packers not being allowed to own any. I think he is not in favor of that. But our position is that that will be necessary because of——

Mr. VOIGT (interposing). I understand your position.

Mr. MARSH. But I do not want to misquote Mr. Wilson.

Mr. VOIGT. This statement which has just been read from Mr. Wilson seems to give a very fair point of view on its face, but what I want to get is, what the gentleman really stands for.

Mr. MARSH. I think he wants to hang on to his own refrigerator cars. I think that is his proposition.

Mr. LIGHTFOOT. I have just read it. He states that he is perfectly willing for the railroads to own the refrigerator cars, providing they will give him the same service he is now providing for himself, and will furnish him all the cars he needs along with other shippers. But if he is not to receive the same efficient service from the railroads, then naturally he would want to get his cars, I mean to keep his cars until the railroads are in a position to furnish the same efficient service that he now has; that is, until the railroads are in a position to furnish cars in the same numbers, in the same condition, and in the same state of sanitation, and to see that they are not used for other products that would make them unfit to send forth fresh meat in. These cars must be cleaned and must be aired and must be kept as sweet as your own refrigerator in your private home. Otherwise the meat will become contaminated in transportation. And the railroads have never undertaken to perform that service. Mr. Wilson said if the railroads will furnish him all the cars he needs, and give him the same service that he now has, he is perfectly willing that the railroads own them and probably rather they would.

Mr. MARSH. Mr. Lightfoot says Mr. Wilson does not object to the railroads taking the cars if, and he adds four or five "ifs." Now, the little cooperative concern that has got to go into competition with the big packers without a single "if," is in a very different position. And our point is that in order to protect the cooperative concerns the railroads must own all of the refrigerator cars, otherwise the same advantage continues to the Big Five that they have

to-day. I presented certain testimony on Saturday, and am very sorry that some of these gentlemen were not present at the time if they wanted to ask me questions. Under present conditions the packers sometimes have a whole refrigerator car with only 10 per cent of the contents needing refrigeration. The little cooperative concern can not go up against that sort of thing.

Mr. VOIGT. Your position is that the railroads ought to own the refrigerator cars?

Mr. MARSH. That is the position of the Farmers' National Council.

Mr. VOIGT. And that they should be made to keep them in proper condition, and that no one should enjoy any benefit over any one else in the use of those cars?

Mr. MARSH. That is just the point. We have been told that private operation of railroads is perfect, that supermen are now going to conduct the railroads very well. Let us ask them to do this simple task of rendering equality of service now that the railroads are back in private hands. You understand that they have cost-plus, and a splendid cost-plus guarantee.

Mr. WILSON. You think that the Government should own the railroads, then?

Mr. MARSH. I can not help it. I know the facts.

Mr. WILSON. That is all I want to know.

Mr. SYKES. I would like to ask Mr. Leonard one question: Do you and the organizations you represent wish the application of this same law to the live-stock exchanges, and to the traders' exchanges, and the various live-stock markets of the country?

Mr. LEONARD. Yes, sir.

Mr. MARSH. Mr. Chairman, you suggested that I make a statement before the committee before we adjourn, about labor.

Mr. ANDERSON (in the chair). Yes; you may do so if it is short.

Mr. MARSH. The representatives of the various labor organizations are working now on some specific principles which they would like to have incorporated in the packer legislation. They could not prepare it in time to present it before noon to-day, but would like the opportunity to present same a little later. We did not want to interfere with your plans, but if you will permit them to be presented a little later it will be appreciated.

Mr. ANDERSON. Is that all right, Mr. Rainey?

Mr. RAINEY. Yes, sir.

Mr. ANDERSON. Are you ready to proceed with your side this afternoon, Mr. Rainey?

Mr. RAINEY. Yes, sir.

Mr. ANDERSON. All right. The committee will now stand in recess until 2.30 o'clock this afternoon.

(Whereupon at 12.20 o'clock p. m. the committee recessed until 2.30 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

The CHAIRMAN. Mr. Rainey, what have you on your program?

Mr. RAINEY. Mr. Chairman, before Mr. Thurmond, of Oklahoma, proceeds, I want to read into the record an abstract from the Wash-

ington Evening Star of Friday, February 27, 1920, which suggests the efficiency of Government officials in handling cattle. It says:

Indians Say Officials Caused Cattle Loss.

Robert J. Hamilton, Representing Blackfoot Tribe, Comes Here to Present Complaint.

Robert J. Hamilton, an Indian from the Blackfoot Reservation in Montana, is in Washington in behalf of his tribe. Mr. Hamilton was in Washington a few years ago, having escaped arrest and imprisonment for leaving the reservation without permit from the superintendent by riding to Washington in the engine of a train, arriving here without baggage and without a cent of money, except a little change the engineer had given him.

Mr. Hamilton has come to Washington to tell the Indian committees of Congress of the loss of the tribal cattle herd. He says that during the summer of 1916, $100,000 appropriated by Congress and $50,000 of Blackfoot tribal fund money was expended to purchase a herd of cattle. It seemed to be the intention to distribute the herd pro rata among the different Indians who were capable of taking care of the cattle, after the herd had gotten a good start.

During the summer of 1919, said Mr. Hamilton, the Indians realizing that the feed would be scarce the following fall and winter, held a council and passed resolutions that the tribal herd be sent away to better feeding places for the winter. The claim made by the Indians is that the Government authorities turned a deaf ear to the proceedings of this council and continued to let the cattle graze over the Blackfoot reservation. When the snow fell and there was no grass left the Indians were ordered to feed them with the hay which they had saved for their private cattle and work horses, and which some of them had saved for the market to provide means of livelihood. When all the available feed had been used the Government authorities, the Indians say, preparatory to shipping the cattle to feeding places, ordered the cattle dipped when the weather was 30 degrees below zero. As a result, the herd of some 6,000 cattle dwindled to 600 in number, the animals dying on account of being dipped when the weather was so cold.

I now have the pleasure of presenting Mr. Thurmond, of Oklahoma City, Okla.

STATEMENT OF MR. I. C. THURMOND, OF OKLAHOMA CITY, OKLA.

The CHAIRMAN. Kindly give your full name.

Mr. THURMOND. I. C. Thurmond, Oklahoma City, Okla.

The CHAIRMAN. Whom do you represent?

Mr. THURMOND. Myself; and I am also vice president of the Live Stock Producers Association of the State of Oklahoma. They are on record as being against any commission form or Government control of the packers.

I have a ranch located 125 miles west of Oklahoma City in the State of Oklahoma, and handle cattle. They showed a loss last year, but I have not the loss charged up to the packers. First, the overhead of the ranch was too much. I investigated the proposition pretty thoroughly and found the reason for the decline in the meat was lack of demand; too much overhead, too much supply, and not enough demand.

From my investigation, and I have been all over central Texas, south Texas, and Oklahoma, I do not believe there is any shortage in cattle. Unless the demand increases, we are going to see still lower cattle, and it is up to us producers, to reduce the overhead expense in handling cattle.

Every cattleman that I know is trying to raise cattle on land that they value at from $15 to $20 an acre. Most of the cattlemen figure it requires about 20 acres to the animal, and the proposition is, Are we going to make it pay? That would be an investment of three or four

hundred dollars, which at 6 per cent would be from $18 to $24 right off the bat. Well, at that rate, with the other expense of operation and high feed, we would have to have $50 for our calves when they are 6 or 8 months old, and, of course, about the only way we can make any money on that basis would be to have the Government fix the price of beef at about 20 cents, and then we would be something pretty, if we could do it.

I am absolutely against any commission form by the Government to handle the cattle industry; I will say, a long distance telephone committee. That is what I would call it. I have not found a man in my country that is in favor of any form of government control or operation of the packers. I have talked to some of my friends since I have been in Washington, and asked if they received any communication from any of the boys, and "Nothing doing." Possibly, there might be some people in the State who are in favor of it, but I have not met them.

On Friday before I left home, about 10 days ago, Mr. J. E. Brown, of Pocasset, Okla., one of our largest feeders in the State, telephoned me and said he would be over the next day to see me. He came over. "Well," he said, "you know what I am up against; what do you think about it? These cattle are just about ready to go."

"Well," I said, "Ed, you are on the ground floor and your way is my way."

He said, "I don't know whether it is or not."

I am carrying Mr. Brown for about $100,000 on those cattle.

He said, "It means that I have got to have $10,000 more money if I carry these cattle 30 days."

I said, "That is all right, Ed, but I put it up to you." So he made this statement: "I don't know what we are up against, but I believe one thing, that if Congress would let the packers alone for a while and let things get down to a normal basis, it would be better for us feeders."

I said, "Ed, that committee is in session up there now. Why don't you go and tell them? They are a good bunch of fellows and they would like to hear from you; you are just the kind of man they would like to hear from."

"Well," he said, "You go," and I am here.

The banks I am interested in have about $3,000,000 loaned to the live-stock people of Oklahoma and Texas, and you hear a great deal about the packers controlling the producer by lending him money and forcing him to ship. I do not know of a single cattle loan in western Oklahoma where the packers are carrying the paper; not a one. There is nothing to it, gentlemen; not a thing.

So I believe the best thing that could be done, just as soon as possible—that is, for the producer—is to close these investigations. I think we have sufficient laws now to govern the packers.

Now, a great deal has been said about divorcing the stockyards company from the packers. Since I have been in Washington I have talked to a very large producer who testified here several days ago and has been making a strong fight to divorce the stockyards company from the packers. Well, that has been done. He now makes the statement that that was a bad thing to do; that that was a mistake.

Now, from the best information I can get, I believe that the fellows who are fighting for this bill do not really know what they do want. They are up in the air. I have not found a single man who could tell me what good would come from this commission. First, it would be a political appointment.

Mr. ANDERSON. You have not talked with anybody in favor of any legislation, according to your statement.

Mr. THURMOND. I said in my country. This was in Washington.

Mr. ANDERSON. You have talked to people in Washington who were in favor of it?

Mr. THURMOND. Yes, sir.

Mr. VOIGT. Will you give us the name of the man who was a witness here?

Mr. THURMOND. Mr. Collins, of Colorado.

Mr. VOIGT. Let us get this straight. He told you that he is not now in favor of having the stockyards owned by the railroads?

Mr. THURMOND. No, sir; by the packers. He thinks it will be a mistake for individuals to attempt to operate the stockyards, and I think so, too.

Mr. VOIGT. Did he say to you that he was not in favor of divorcing the packers from the stockyards?

Mr. THURMOND. He said he was sorry that it had been done. That is what he said.

Mr. VOIGT. That he was sorry he had made such a statement before this committee?

Mr. THURMOND. Oh, no. As I understand it, the packers have already agreed to divorce themselves from the yards in the next two years.

Mr. VOIGT. As I understood Mr. Collins when he appeared before this committee, he stated that it was his opinion that the packers should not have any control over the stockyards or ownership in them.

Mr. THURMOND. Well, he did not tell me that.

Mr. TINCHER. I think, Congressman Voigt, you probably did not exactly understand Mr. Collins. I think Mr. Collins has been consistent about these stockyards at all times, and I heard his testimony and knowing him perhaps appreciated it better than you did. He said that his position was that it did not matter who owned the stockyards, they should be under Government supervision, and that everyone should have a fair deal with reference to the stockyards.

Did you hear his testimony?

Mr. THURMOND. I heard his testimony and then talked with him after he went to the hotel.

Mr. TINCHER. His testimony was the same as his talk, was it not?

Mr. THURMOND. Well, I think he made his talk to me a little bit stronger. I think he is very sorry, and I think we will all find out in the end that there are a good many of us who will be sorry.

Mr. VOIGT. I stand corrected on my recollection of his testimony. What I would like to know from you is in what respect did Mr. Collins's talk with you differ from the testimony he gave before this committee.

Mr. THURMOND. Well, I do not know. I did not pay very close attention to his testimony here; in fact, I did not hear all of it. I am

just telling you that he went on to tell me that some individual in Kansas had made him a proposition to go in with him and buy the yards at Wichita and said that if it were going to be handled that way the packers might just as well have the yards.

Mr. VOIGT. You want to give this committee the impression that Mr. Collins feels differently now from what he did when he appeared before the committee?

Mr. THURMOND. I have told you just exactly the way it was.

Mr. VOIGT. I do not understand exactly what you mean to convey to this committee.

Mr. THURMOND. Well, I mean to convey this, that Mr. Collins is not exactly satisfied with individuals operating the stockyards companies. He does not think that will be a success now.

Mr. VOIGT. Did he say that he objected to the railroads operating them?

Mr. THURMOND. He did not say a word about the railroads. I did not know there was any likelihood of the railroads operating the stockyards companies. I never heard anything of that. That is the first I have heard of it.

Mr. ANDERSON. Did Mr. Collins ask you to come here and tell the committee what his views were about that?

Mr. THURMOND. No, sir; he did not; but I believe that is the very thing you will find about this entire bill. I never have been able to find anybody who has been able to tell me what good could come from this committee. They can not regulate freight rates. They are high. They can not fix the price of meat, and I do not believe this committee can handle this proposition by long distance. I do not believe they can reach the producers of the country. I do not believe they can do anything for them.

Mr. SYKES. Then why are you opposing the bill? If it is not going to do us any good, or the packer any harm, why would you be opposed to the bill?

Mr. THURMOND. Because there will be a great expense attached to this commission. It will furnish employment to about 500 or 1,000 people. It will all be red tape, and for that reason I am against it.

Mr. SYKES. Then you are against it just simply because it will add a little to our taxes?

Mr. THURMOND. I am against it because I do not believe you can keep it out of politics. They are political appointments and I am against it.

Mr. VOIGT. Do you think the agitation for this legislation has anything to do with the present price of live stock?

Mr. THURMOND. Not nearly so much as the lack of demand for the beef.

Mr. VOIGT. You say that you had a talk with a large producer in Oklahoma, I believe.

Mr. THURMOND. Yes; Mr. Brown, of Pocasset, Okla. He thinks so.

Mr. VOIGT. And you said that this gentleman thought this agitation ought to cease immediately?

Mr. THURMOND. That is what he said; yes, sir.

Mr. VOIGT. Then he was of the opinion that if we did not have this agitation, the price of live stock would go up?

Mr. THURMOND. That it might eventually get better. That is what he said.

Mr. VOIGT. What is your opinion? Do you think the price of live stock has anything to do with the agitation for this legislation?

Mr. THURMOND. Yes, sir; people are very much unsettled and I do not think it is doing the country any good.

Mr. MCLAUGHLIN of Nebraska. How would that affect the price?

Mr. THURMOND. It's the consumer. Word has gone down the line not to eat so much meat. I do not think it is doing any good at all.

Mr. MCLAUGHLIN of Nebraska. Has not the consumption increased rather than decreased?

Mr. THURMOND. I do not think so. It probably has increased some since the boys have all gotten back home, but it has not increased as much as I would like to see it increase. Was there any other questions you wanted ask along that line?

The CHAIRMAN. Are you through with your general statement?

Mr. THURMOND. Oh, no; I wanted to pass on.

The CHAIRMAN. The rule is that you finish your statement and then the members will ask you questions.

Mr. THURMOND. All right. There is one other statement I want to make in regard to the speculators of the yards. I believe it would be absolutely impossible to have a stockyards or market without speculators. I am not familiar with any other market other than Oklahoma City, but I must say that in Oklahoma City the strongest, keenest competition exists between those speculators possible, and they are a great benefit to our yards, because there is a great number of stocker cattle that came to the market that the packers could not buy, and, of course, if it was not for the speculators, they would be up against it.

In regard to the refrigerator cars, I believe it is absolutely necessary for the packers to have their own refrigerator cars. I know in western Oklahoma last year it cost the cattlemen $25,000 to $50,000, because they could not get stock cars. The people had their cattle ready for market and the blizzards came along, and they had the shrink, and it was very unsatisfactory in every way; in fact, some of the men who did not immediately market their stuff, never did ship; just turned them in for the winter, and for that reason I do not believe the railroads of our country would be able to furnish refrigerator cars for the packers when they wanted them. We can not even get stock cars when we want them, and I have every reason to believe that they would find the same difficulty in getting them for their own use. I do not see why it is not perfectly all right for the packers to have their refrigerator cars.

In 1910 Morris & Co. built their plant in Oklahoma City, and I know it has been a big thing for the cattlemen of that country.

I had occasion in November last to check the actual cost of shipping a carload of cattle to Oklahoma City and marketing them. One hundred and one dollars and forty-two cents was the cost of shipping one carload, and, of course, we can not expect any cheaper freight rates.

Mr. YOUNG. Shipped from where?

Mr. THURMOND. From Elk City to Oklahoma City. That included the freight, yardage, commission, etc.; that was the total amount, about 8 per cent of the net returns; and, of course, I think the trouble with the cattleman is his overhead expense. That has got

to be entered into this proposition, too. Land is high, feed is high, and everything else is high; and I do not believe that under the commission form of Government, if that had been in existence 10 years ago, we would ever have had a packing plant in Oklahoma City, and if there had not been real competition between the packers, I have never been able to figure out why Morris & Co. would come to Oklahoma City and build a plant just half way between Witchita and Fort Worth.

The people of our country feel very kindly toward the packing interests. The city of Oklahoma City feels the same way. We feel it has been a wonderful thing for us.

I made the statement that I was vice president of the Live Stock Producers' Association of Oklahoma. Now, about last October, we had occasion to investigate the high costs; why the butcher shops were charging us such high prices. Our association appointed a committee. We went to Wilson & Co. and Morris and found out that the bacon they were charging the butchers 43 cents a pound for, they were charging us 75 cents for. That means that the packer and producer together were getting 43 cents and the butcher, for selling and delivering it, 32 cents. We figured that that was just a little bit too much, but they showed this committee their terrible overhead expense in delivery, and from people buying just the best cuts, etc., and not the cheaper grades of beef, and that they were not making very much money. I think that is another thing to be considered.

In our country, our State never was in the financial condition it is to-day. Everything is good. The banks are full of money, conditions are good, and the boys are all buying silk shirts now, and the very best cuts of beef they can get, and we are going good. That is all there is to it, gentlemen. If some of us could get to using cheaper beef, I believe that would help, but, of course, I do not know where the proposition is going to go; but in our country we believe, and I know from personal experience on the yards, and I have had a great many cattle on the yards. I have traded with these speculators. Of course, I never bought any beef cattle, but naturally when I see a nice drove of cattle, I look them up and see the price, and in some instances investigate the bids that the different people have put on them, and I have always found that there was competition between the two packing interests in Oklahoma City. Besides that, they do not buy all the fat cattle that come there by a great deal. The outside butchers come on those yards and they buy cattle and ship them to the smaller towns, and there is actual competition there in every way, so far as I can see it.

Of course, our country does not produce so many hogs, because we had two or three droughts which put us out of the hog business. I am not so very well posted about the hogs. I do not handle any of them myself, but I am of the opinion that if we can once get this investigating proposition out of the way, that things will get better, and I do not understand why we should just hop on the packer. I think there are a good many other things that need attention a good deal worse than the packer.

Mr. McLAUGHLIN of Nebraska. Would you mind naming one or two?

Mr. THURMOND. Well, I will say most of the manufacturers, shoes, for one thing, I will mention. We get very little more for our hides now than we did before the war, and shoes are advancing rapidly.

Mr. MCLAUGHLIN of Nebraska. Who controls leather—do you know?

Mr. THURMOND. No; I do not.

Mr. ANDERSON. You never made any investigation of that, I take it?

Mr. THURMOND. No, sir; I have never been able to get any figures on that at all.

Mr. ANDERSON. Did you ever hear of the National Leather Co.?

Mr. THURMOND. No, sir. The trouble with the cowman in our country is the amount of capital necessary to carry on a ranch. The land is very high and there is no way in the world, figuring on a $20 basis for grass land, where we can ever make any money out of cattle, because we would have to have $50 for calves to even get by, and, of course, that would make the general price of meat so high that the consumer could only get to look at it; that would be all. Of course, I think in this proposition the consumers interest should be looked after just the same.

Another thing I have found upon investigation is that the packers have reduced the price of these cattle on foot, but this committee of the Producers Association, of Oklahoma, found that they had also been reducing their price in proportion.

Now, if the packers had not done that, then I feel we would have had a holler coming, but every time they have reduced the price on the hoof they have followed it right along with a reduction on their meat.

Mr. MCLAUGHLIN of Michigan. Did you find they did that generally, or only in Oklahoma City?

Mr. THURMOND. Oklahoma City is all I know about. I do not ship anything to any other yards or do not buy anything at any other yards at all, and I will say again—I am going to make this statement before this committee—that you will find when the stockyards companies are divorced from the packers, which will be in the next two years, these individuals are going to run them just to suit themselves; give just as little service as they can, charge every cent they can, and they will be able to show to any committee where they are not making any money. The overhead will eat it up, and we will just take what we can.

I have never heard a complaint against the service rendered by the stockyards company at Oklahoma City. I never have. It is good. Mr. Hutchens, who is the manager of it—I do not know who owns it, whether both packing companies own it or just one—but Mr. Hutchens is a very fine gentleman and I know he makes a strong effort, and does his very best, to please all the shippers.

Now, I will be glad to answer any questions that any of you gentlemen desire to ask.

Mr. YOUNG. So your individual view is that the best piece of public service this committee can do at this time is to close the hearings and end this whole chapter?

Mr. THURMOND. I certainly think so. You would certainly be doing the right thing.

Mr. YOUNG. Have you made any investigation as to the different industries in which these packers have reached out and gone into, and are beginning to operate?

Mr. THURMOND. I have made no investigation, but I have some knowledge. I have read the papers.

Mr. YOUNG. Do they own any oil mills in your State?

Mr. THURMOND. Not that I know of; no, sir; not in Oklahoma City, they do not.

Mr. YOUNG. Of course, you recognize the fact that the oil mill is quite a nimportant factor in the cotton-producing section of the Nation.

Mr. THURMOND. Yes, sir.

Mr. YOUNG. That from the cotton mill comes the vegetable oil which is manufactured in various forms of food products; and also the cottonseed meal and hulls which go back as a magnificent feed for the animals on the farm.

Mr. THURMOND. Yes, sir.

Mr. YOUNG. Would you think it good policy to permit the packers who have started out in the meat-packing business to reach out and absorb the ownership of these local oil mills all over the cotton belt?

Mr. THURMOND. You mean for the packers to absorb the oil mills?

Mr. YOUNG. Yes.

Mr. THURMOND. No, sir; I don't think so.

Mr. YOUNG. You say they have not taken over any in Oklahoma?

Mr. THURMOND. No, sir.

Mr. YOUNG. You are not familiar with——

Mr. THURMOND (interposing). I did not know they owned any anywhere.

Mr. YOUNG. You are not familiar with the oil mills taken over in Texas and in other cotton-producing States.

Mr. THURMOND. No, sir.

Mr. YOUNG. If they do do that and persist in doing that, it would be a very dangerous power for them to exercise, would it not?

Mr. THURMOND. I would not want them to do that.

Mr. YOUNG. Not only would they have it in their power——

Mr. THURMOND (interposing). But I never heard of them making any attempt to do that in my country. Mr. Vose, who owns the oil mill in Oklahoma City, is one of my closest friends, and I am associated with him, and this is the first time I have heard that.

Mr. YOUNG. I suspect if you go back and ask Mr. Vose how he finds out about his market, he will tell you he has to watch the market of the packers to find out how to market. That is what they have done in Texas and they have taken over oil mills in Texas and in various other cotton-producing States.

Mr. THURMOND. That is the first time I have heard of it.

Mr. YOUNG. That being true, you would think, as a matter of public policy, they ought not to take over that kind of thing.

Mr. THURMOND. I do not think so.

Mr. YOUNG. It would give them too much power.

Mr. THURMOND. Yes, sir.

Mr. YOUNG. Your observation is that if you give a man or a certain group of men a lot of power, being human beings, they are likely to exercise it.

Mr. THURMOND. Yes. I don't owe the packers anything.

Mr. YOUNG. I am not charging that, of course.

Mr. THURMOND. I don't owe them a dollar, but I think they are getting the worst of this deal. It is unfortunate for me to be the first one up to hit.

Mr. YOUNG. We all recognize the packer as being an agency that we must have. I will state that to you.

Mr. THURMOND. Yes, sir. I think about the packers being curbed in this handling of by-products that we producers are going to feel a little touch of that. I think that is going to affect us. I think the packers should have been allowed to keep that.

Mr. YOUNG. You do not think they ought to be allowed to continue in the wholesale grocery business?

Mr. THURMOND. Well, I am not a wholesale groceryman. I would say that if they had been allowed to continue, I think there would have been cheaper stuff for the consumer.

Mr. YOUNG. As a matter of public policy, suppose the packers were to persist in doing what they agree not to do in this decree, and the question had not been raised, and they had gone on enlarging their line of business, with their powerful organization and the capital they have back of them it would not have been many years until they absolutely controlled the grocery trade of the Nation, with their advantages in the way of freight transportation and owning these refrigerator cars in which they ship their groceries along with the meat. Now, the point I want to make is: Do you not think it is too great a power, too far-reaching a power, to let any combination of men control the entire food supply of this Nation, both the meat and the grocery supply?

Mr. THURMOND. I do not agree with you as long as it is their by-products, understand.

Mr. YOUNG. I included in that question all this grocery trade.

Mr. THURMOND. I had reference to the grocery trade. I think it would have meant good deal cheaper groceries for the consumer if you had permitted the packer to continue. I think the trouble is the wholesale grocer could not compete and they wanted them out of the market. That is what I think about it.

Mr. YOUNG. Admitting for the time being that they could sell groceries cheaper than the wholesale grocerymen or the jobbers, and getting back to the question of power, after this distributing agency and the wholesale groceryman and the jobber are driven out of the business, and all that is left are the five great packing concerns, do you not believe they would exercise their power and charge you and me just what they saw fit to charge us on these grocery supplies.

Mr. THURMOND. No; I do not think so.

Mr. MCLAUGHLIN of Nebraska. In other words, you would simply trust their honesty?

Mr. THURMOND. Yes, sir; I would just as soon trust them as some of the rest. I do not think there is any difference. Everybody is getting it now who can.

Mr. YOUNG. This is a great big Nation with one hundred and odd million people, and all our people have got to follow some means of livelihood; do you think it is in the interest of our Nation as a whole that the average individual in the ordinary business affairs.

the grocery trade and similar trades, that we should permit a great combination of institutions here to go in combination with those trades and drive private individuals out; do you not think that would be against public policy?

Mr. THURMOND. Well, I do not believe they could drive them out. I do not believe they are big enough.

Mr. YOUNG. Well, they may not be at this time.

Mr. THURMOND. No; I do not think they are big enough to drive them out.

Mr. YOUNG. But they seem to be getting along pretty well.

Mr. THURMOND. The trouble of it is, you know, the agitation—too much talk; it is unsettled, and that is the trouble.

Mr. YOUNG. I understand that when you have agitation——

Mr. THURMOND (interposing). As long as you have these hearings it is going to continue.

Mr. YOUNG. Since I have been in Congress for 10 years, we never have had up a great public proposition that we did not have that same statement made. When we had up the law to change our whole banking arrangement we heard from our national bankers all over the country—and I have a right to speak about that because I happen to be kin to some of them—and they said, "You will ruin the country; you must stop this agitation," but now they have changed their tune about that great piece of legislation, and we do not hear that any more. A good many years back, when we had up the meat inspection act, these same gentlemen were all here saying, "You will absolutely put us out of business if you adopt this governmental inspection system of the meats of this country." We heard then the same story.

Mr. BORDERS. Mr. Young, are you not mistaken about these gentlemen being here opposing the meat inspection act? You want to stay within the facts, I know.

Mr. YOUNG. I do not say you gentlemen, personally.

Mr. BORDERS. I mean anybody representing the packers.

Mr. YOUNG. That was my understanding of the situation.

Mr. BORDERS. Your understanding is wrong.

Mr. THURMOND. I could not agree with them on that because I am for it.

Mr. YOUNG. So am I. That is my understanding of the history of the matter. If I am wrong——

Mr. BORDERS. Well, you are wrong.

Mr. YOUNG. I will correct the record all right.

Now, the point I am making is that for a period of the 10 years that I have been in Congress, I have never yet seen any great, far-reaching piece of public legislation like this, or like the banking law, but what witnesses would come before us saying, "You ought to stop this agitation." That has been the universal story since I have been here, and I think these other gentlemen will corroborate me as to that; and so, after all, it is for us to determine, after hearing all the facts, and that is what you gentlemen are before us for, and we are trying to get our facts from you.

Mr. THURMOND. Yes.

Mr. YOUNG. Because we do not want to do an injustice to anybody.

Mr. THURMOND. No; I do not think you do.

Mr. YOUNG. No; we do not. So we have got to exercise our best judgment after hearing all these statements made pro and con.

You say that so far as you know, none of the stockmen in your country are favorable to this legislation.

Mr. THURMOND. No, sir; so far as I know.

Mr. YOUNG. Do you know Mr. Fuqua and those gentlemen who appeared here, through Mr. Sennett in the Amarillo country?

Mr. THURMOND. Yes, sir.

Mr. YOUNG. They are pretty heavy stockmen, are they not?

Mr. THURMOND. Yes, sir.

Mr. YOUNG. Have you conferred with any of them about this matter?

Mr. THURMOND. That is not my country.

Mr. YOUNG. Well, I will just remark to you that they committed themselves in favor of some legislation.

Mr. THURMOND. What kind of legislation did they want? Did they tell you what they wanted?

Mr. YOUNG. Yes; they said we ought to have a commission.

Mr. THURMOND. Well, I do not think so.

Mr. YOUNG. Now, here is the point in my mind, and I confess candidly that I have not my mind made up and I do not know how to make it up, but here is a thing in my mind, and I speak from knowledge because my own people were in the cattle business and I know a little something of their history in it. Under the present marketing conditions, the cattle producer in Kaufman, Tex., when there were any there, would fatten his 30, 60, 500, or 1,000 head of cattle on oil-meal product. Those cattle were universally shipped either to St. Louis, Kansas City, or a little earlier than that, to Chicago. They went into those stockyards, owned, as we understand, by the packers. Now, say I am that shipper with 500 head of fat steers that I have spent maybe three years in producing, all the capital I had, and all the real estate I had.

Now, I have shipped them this long haul and have stood these large freight charges and losses that are incidental to shipping cattle for a long haul. They are unloaded there, and they must be sold, of course. Now, I am getting to a marketing question; is that the best system of marketing that can be worked out. When I unload those cattle there, I have not got a word to say about what they will bring. I have consigned them to a commission man, probably. I see these three or four years of work and every dollar I have in those stock pens, and here come probably representatives of the packers. They seem to be making bids on the cattle. That is something I do not know anything about, what is in their minds or whom they are bidding for, but I must sit there and see cattle knocked off, and then when my statement is made to me, I have found that I have lost my services for probably two or three or four years, and I have got no way of knowing whether I have had a fair deal there or not.

Mr. THURMOND. How are you going to know when you get a commission?

Mr. YOUNG. Would not that be a very good agency that could investigate facts.

Mr. THURMOND. We would all be dead and gone before they could get out a report, and there would be the next bunch here by that time.

Mr. YOUNG. You think, as a practical proposition, they could not work it out?

Mr. THURMOND. No; no chance in the world.

Mr. YOUNG. We have to depend upon commissions to handle our great railroad transportation problems.

Mr. THURMOND. That is entirely different. You can not get away from supply and demand in the meat business.

Mr. YOUNG. I do not want to get away from it.

Mr. THURMOND. Well, that is a fact. You give us more demand right now——

Mr. YOUNG (interposing). I am the one man who stood out during this war regulation and said I did not want any price fixed, and I had the nerve to get up on the floor and say so.

Mr. THURMOND. Yes; that is right, and it is unfortunate we had this enormous demand at one time coming from Europe. Naturally, we have got to drift down. We are going to see lower beef yet, and we might just as well get ready for it because we are going to see lower meat.

Mr. YOUNG. Well, what encouragement is there to a man to go ahead and produce?

Mr. THURMOND. Well, that is all right. We have got to get the demand, and we might just as well face it. We will lease our land out and get a little oil money until things get right again.

Mr. YOUNG. Well, unfortunately, the oil proposition does not cover the whole territory.

Mr. THURMOND. It does with us. I have $200,000 invested in my ranch and I did not make one dollar, but lost money.

Mr. YOUNG. Suppose every other cattle man in Oklahoma was in the same shape. Some cattlemen have not got anything but their ranch property.

Mr. THURMOND. That is all right. The chances are those boys did not have the overhead. I am a little extravagant. We are all getting extravagant, but I am going to tighten up a little this year. That is the trouble. We are all going too fast, Congressman Young. I will tell you, you are a Texas man, are you not?

Mr. YOUNG. Sure; native.

Mr. THURMOND. So am I. You do your Christian duty and vote against this bill, and you will be voting right. That is right.

Mr. YOUNG. Well, I do not know about that.

Mr. THURMOND. Well, that is right.

Mr. YOUNG. You have already agreed with me on one proposition.

Mr. THURMOND. Well, that oil mill business, that is different.

Mr. YOUNG. And so far as I am concerned, I am here to tell you that I look upon these packers as human beings.

Mr. THURMOND. So do I.

Mr. YOUNG. And as I look upon it, in going down into my State and buying up those oil mills, they did it for the purpose of controlling, first, the vegetable oil, because it was then in competition with their animal fats, and, second, when they got hold of all these oil mills, my principal business is growing cotton—then they would say to me as a cotton producer, "We own your oil mills, we own your

gins, we will name the price of your seed and we will name the price of your cotton"; and I do not want to give them that power, and you and I agree on that proposition.

Mr. VEEDER. Mr. Young, on this oil mill matter, may I have just one word? In the first place, Swift & Co. do not own in Texas more than 5 per cent of the oil mill crush in Texas. We do not crush more than 5 per cent of the crush in the State of Texas. In the first place, we are in competition with every other oil mill in Texas. In the next place, Swift & Co. are not on the market selling the oil. They use the oil in connection with their manufacturing processes in their own business, making compound lard, making oleomargarine and other things.

Mr. YOUNG. That part I do not object to.

Mr. VEEDER. That is what they use it for, and they went in it for the purpose of getting the oil to use in connection with the manufacture of oleo and so on.

Mr. YOUNG. Right there; you are talking now about something I know something about. I happen to know when we started the first little oil mill in my town, and I happen to know that later on we lost every dollar we put in it. We could not compete with you gentlemen.

Mr. VEEDER. You mean in the buying of the seed?

Mr. YOUNG. Absolutely; yes, sir; because in the early days of that business the effort was made to draw a dead line around each mill, and I must say that some of our local mills tried to enter that agreement too, and they were built by local capital. Within that territory that mill could buy my seed and I could not sell it anywhere else, and so it was all over the cotton belt where these mills were built. So if you did not have anybody to go to but your local mill and could not ship across this dead line, the local mill man, whether owned by the packer or owned by an independent man, named the price of the farmers' cotton seed; but we are out from under most of that at present.

Mr. VEEDER. Mr. Young, we had a little discussion of that some few days ago.

Mr. YOUNG. Yes.

Mr. VEEDER. The fact is that Swift & Co. and its mills have never combined with any other mills. They have bought the oil for their own use. They have never undertaken to buy the oil for less than the market. They have paid the market for it, and they have paid what they had to pay for it, and they have not combined with others, and they have not individually attempted to put any oil mills out of business.

Mr. YOUNG. I am glad to hear that is true, but I know we had a great deal of agitation and some lawsuits along that line.

Mr. VEEDER. But it does not follow because there were lawsuits that we were doing the things charged in the bill, Mr. Young.

Mr. YOUNG. Well, I make this statement to you gentlemen. I have not got a doubt on earth in my own mind about what you gentlemen meant to do when you entered that oil-mill field. You meant to absolutely dominate and control the production of cotton seed oil and take over the seed supply of the farmers of the country. I have not got a doubt about it, and I do not think anybody else in Texas has.

Mr. VEEDER. You are absolutely mistaken about that, because we simply got the oil to use in our own plants.

Mr. YOUNG. Right there, we have three oil mills in my country. We will produce about 65,000 bales of cotton in that county this year. Those mills were built by local capital. Why did you gentlemen find it necessary to go down there and invest in the oil-mill business when local capital was rapidly filling up every place where cotton was produced, when you could buy the output of their oil mills and go ahead and manufacture it into your different articles that it goes into. Now, that is the point. Why did you want to enter the oil-mill business?

Mr. VEEDER. Because we wanted to establish a certain raw material supply for use in our own plant.

Mr. YOUNG. Wait a minute. We were establishing that raw material with these independent mills. We were producing the oil. Why were you gentlemen not satisfied to buy this oil from these local community mills?

Mr. VEEDER. Mr. Young, when Swift & Co. bought their first oil mill in Texas, there was a combination in Texas which made it difficult for us to get cottonseed oil, which we have to have in manufacturing various of our products. That was the reason we went to Texas. We bought those mills to insure ourselves a supply of cottonseed oil to use in our manufacturing business. We bought some more mills, but we have not bought any mills now for some years, and while I have not the exact figures, but Swift & Co. controls less than 5 per cent of the crush. Now, with those mill representing 5 per cent or less of the total mill capacity of the State of Texas, we can not and do not control the prices. We pay what we have to for oil. We get the oil to use in our own plant, and we do not sell the oil on the market except occasionally when the oil is not usable in our business, but that is a negligible quantity that we sell on the market. We do not make the price for oil. We do not make the price for cottonseed. We only control 5 per cent, and we are in competition with everybody in the business.

Mr. YOUNG. Well, let me put this question to you which I have put to other witnesses. As a matter of public policy, your people being engaged primarily in the meat packing business, do you think, is a matter of public policy, that the packers of this Nation ought to be allowed to go into the cotton belt, and take over these oil mills, as you did take over some of them, from your statement, until they could control the majority of the production of those cotton oil mills.

Mr. VEEDER. I did not say that. You misunderstood me.

Mr. YOUNG. I am asking you the question. Do you believe that ught to be permitted as a matter of public policy?

Mr. VEEDER. That is not the question that is involved here.

Mr. YOUNG. That is my question.

Mr. VEEDER. Because it has not been done and is not going to be one. I would say, "Yes," to your question, but I premise that by aying we have not done it and do not intend to do it, but I will nswer "yes." If any individual or corporation without combinaion, without unfair practices, goes into a field and by reason of its bility to handle its business so efficiently as to be able, in competiion with all others in the business, to monopolize that business, I

say it is for the benefit of the consumer he should do it. It is that very thing that has enabled all big business to grow up; that is, their efficiency to do business better than their competitors; otherwise, they could not grow, if you started in as we did, from small beginnings. You will find that true of every other institution that has grown from small beginnings. It starts as the small man, and is subject to being put out of business, as was threatened us when we went into the oil business.

The only reason we overcame that because we were efficient enough to sell in competition with them. No concern can obtain the position you suggest in monopolizing the entire business unless it is doing something that the public wants, and the moment it undertakes to raise the prices, if it ever gets into the position you suggest, in any business where there is not a natural monopoly, where there is not a mine, for instance, and you can not get the ore from any other place—no business that is engaged in merchandising can ever so monopolize the business of the country that it can, after driving out competition, raise the prices to the point where it can make inordinate profits. The moment it raises the price, other capital is coming in, just as Swift & Co. went into the cotton mill business when the people down there asked a price of us that we thought was higher than proper.

Mr. ANDERSON. What was the combination that had the situation "coopered" up down there?

Mr. VEEDER. It did not have the siutation coopered up because we went in and got our own oil.

Mr. ANDERSON. Now, let us see about that. Here is what you said the other day before this committee:

> Originally, in the latter part of the nineties, as I recall the date, Swift & Co. went into the business to protect themselves against some kind of combination that prevented them from getting a sure supply of oil.

Mr. VEEDER. It was a combination of oil manufacturers; I do not remember the name, but subsequently, as I recollect, there was some litigation against it, in the latter part of the nineties, or around 1900, by the State of Texas. I think it was a case entitled something about a compress association or something like that. I do not know what the result of the case was, but we found that the prices they were asking were such that it was profitable for us to go in and buy mills and do our own business, and that will always be the case in a merchandising proposition.

Mr. WILSON. There was a combination, then, down there?

Mr. VEEDER. Yes, sir.

Mr. ANDERSON. You think it was entirely proper, I assume, for the legal authorities in Texas to take proceedings against this combination?

Mr. VEEDER. I think it is proper for the legal authorities to take action against any combination or any other action that is in violation of the law, and that there are enough laws on the statute books of Texas and enough laws on the statute books of the United States to prosecute and to punish violations of law.

Mr. YOUNG. Yes; I think we have some antitrust statutes down there that are as effective as you will find almost anywhere; but at the same time we have had some experiences along those lines.

Mr. McLAUGHLIN of Michigan. Previous to your going into the business down there, did you find that these producers of oil charged you more than the market price?

Mr. VEEDER. We did not buy from the producers. You mean the producers of oil?

Mr. McLAUGHLIN of Michigan. Yes.

Mr. VEEDER. The market price is what you can buy the oil for under given circumstances. We found that we could buy mills, buy the seed, crush the seed, manufacture it into oil, and get that oil cheaper than we could buy it from those concerns. We could manufacture that oil and handle it cheaper than we could buy it from those concerns.

Mr. McLAUGHLIN of Michigan. What proportion of percentage of your output do you use yourselves and what part do you sell?

Mr. VEEDER. Of the oil that we crush, we use practically 100 per cent ourselves.

Mr. McLAUGHLIN of Michigan. And besides what you produce for yourselves, do you find it necessary to buy any considerable quantity?

Mr. VEEDER. Yes; we buy about twice as much as we produce.

Mr. YOUNG. Right on that point——

Mr. TINCHER (interposing). Mr. Chairman, Mr. Veeder is going to testify in this case. He said the other day he was not, but he is, and I think he ought to testify the same as other witnesses instead of testifying on one particular subject when it occurs to him, and then another subject. I do not want at this time to cross-examine him, although he has given us very valuable testimony, no doubt, on this subject, but I differentiate between his asking a question of the witness and offering his personal knowledge of the facts. I do not doubt but what he is the best qualified man here to testify, and I think he should testify in the regular order and each member question him.

Mr. YOUNG. I was probably largely responsible for this diversion.

The CHAIRMAN. The committee has been very liberal in permitting questions to be asked.

Mr. ANDERSON. I should like to ask Mr. Veeder one question before he quits. I gather from what you have said that you are of the opinion that this combination was keeping the price at a higher price than economic conditions justified.

Mr. VEEDER. Well, I think that would be true as to economic conditions. Now, as to the market conditions and what you can buy it for, that is another matter.

Mr. ANDERSON. Then, I take it, that this is either an exception or else you now want to modify your statement that the only place where a combination could raise prices beyond what the economic conditions justified was the case where they had a natural monopoly in the ownership of a local supply, like a mine, or something of that sort.

Mr. VEEDER. As Mr. Borders says and as I remarked a while ago, the very fact that when they undertook to put these prices above a place where they were economically justifiable capital went in and created or purchased more mills and proceeded to do business. In other words, as soon as the price gets above economic justification

there is an attraction there to capital to come in, and it will come in. It always has and always will. Everybody talks here about the purpose of these trusts being to run the price down until everybody is put out of business and then push it up.

I never heard of a case where that was successfully done. I have heard of corporations and trusts for years and years, but in the merchandising business the moment that the price gets above a point where it is economically justifiable, or even where there is a good return on the business, there is always plenty of capital to go into that business and keep the price down, and no corporation in the merchandising business, where the field is free for all, can ever keep other capital out so as to enable them to ask such prices as they want. Wherever that has been charged, as it was in the tobacco case in the Supreme Court, there is a violation of law involved which is subject to prosecution, such as in the tobacco case. Now, if those laws are enforced, so that everybody is on the same basis, so that no one concern is permitted to use unfair practices or to combine or to conspire, if those laws are enforced, there can be no such monopoly that capital can not go in and compete with them.

Mr. ANDERSON. But you are telling us here in one breath that the operation of economic laws will prevent monopoly and in the next breath you tell us that if the laws are enforced monopoly will be prevented. Now, which do you mean?

Mr. VEEDER. I mean both. I mean this, of course: If one concern is permitted to build a barrier around it in some way and monopolize the business, whether it is expressly granted by law or not, it is of the same effect as if granted by law. Whenever that situation exists there is possibility for monopoly, but I never knew such a situation in the merchandising business.

In other words, if a State grants a railroad company the right to travel over a certain route there is a monopoly; that is a monopoly; but the State does not grant certain conditions or definite conditions to one merchandising concern that it does not to another. Economically, capital will flow from one industry to another just as soon as it is profitable in that one industry so that it will make it attractive to capital. That was the very case that happened down in Texas about 1900, where the combination undertook to get the price up to a point where we thought we could go in and manufacture it and get the oil cheaper than they could.

Let me call attention to another thing: There are a great many very large concerns in this country outside of the packers that are in the oil-mill business for the purpose of securing a supply of oil for their own commercial use in the manufacture of their product, and in the effort to get oil we came into competition with all of those concerns.

Mr. YOUNG. Will you please name some of them?

Mr. VEEDER. Proctor & Gamble.

Mr. YOUNG. Do they own oil mills?

Mr. VEEDER. Yes, sir; directly and indirectly. They manufacture lard compound.

Mr. YOUNG. I do not object, after getting hold of the local oil mills and manufacturing the product into various compounds: I think you are strictly within the line of your original business, but

the ownership of the oil mills themselves, that, I think, is a matter of public policy.

Mr. VEEDER. I think your proposition is this, that anybody who has gone into the oil-mill business should be entitled to monopolize that business by keeping other people out from coming in?

Mr. YOUNG. No.

Mr. VEEDER. Would not that have the tendency to monopoly?

Mr. YOUNG. No, sir. These oil mills were built by local people; you and I and a dozen other persons subscribing one thousand, two thousand, or three thousand dollars.

Mr. VEEDER. Suppose you said that about the butcher shop; you would not have the big packing companies?

Mr. YOUNG. We have not any butcher shops.

Mr. VEEDER. But you get meat in the East at prices you would not have been able to get it if you never had the local butchers. Do you not suppose that a big concern like Proctor & Gamble, when they establish a mill in one of these small towns, it is a benefit to the town? They employ labor, and do they not build plants and bigger plants than the local people would build?

Mr. YOUNG. I do not deny that, but in my own portion of Texas that is a part of the community life; it makes a happy community life, and when a concern by reason of great financial strength is able to drive the local people out by this unfair competition, that is a great injury to the community life, because they drive the local people out.

Mr. VEEDER. But the little country towns are inviting industries to come and locate in them, in many cases offering them bonuses to put up plants.

Mr. YOUNG. Yes, sir. Those little country towns like I speak of will never see an oil mill built by people to compete.

Mr. VEEDER. They go to the great congested centers.

Mr. YOUNG. That is all.

Mr. VOIGT. Are you familiar with the cattle loan business?

Mr. THURMOND. No, sir. I loan, but I am in the banking business, not what you would call a cattle loan company.

Mr. VOIGT. You make loans for which the cattle are the security?

Mr. THURMOND. Yes, sir.

Mr. VOIGT. You are in the banking business?

Mr. THURMOND. Yes, sir.

Mr. VOIGT. I do not want to pry into your business——

Mr. THURMOND (interposing). I will be glad to answer any question that is asked me. I have no personal matters.

Mr. VOIGT. You loan considerable sums during the year on cattle?

Mr. THURMOND. About $3,000,000.

Mr. VOIGT. What do you do with the paper?

Mr. THURMOND. We carry it. We have a string of banks in Oklahoma, the Thurmond Bros.

Mr. VOIGT. Does your paper go east?

Mr. THURMOND. No.

Mr. VOIGT. You rediscount the paper at other banks?

Mr. THURMOND. If we need any money we borrow it from the Federal reserve bank.

Mr. VOIGT. You are interested in a number of banks?

Mr. THURMOND. Yes, sir.

Mr. TINCHER. You say that you have a string of banks?

Mr. THURMOND. Yes, sir.

Mr. TINCHER. You testified before the Agricultural Committee of the Senate in August?

Mr. THURMOND. Yes, sir.

Mr. TINCHER. I think you mentioned the fact then that oil cake was $90 a ton?

Mr. THURMOND. No; $70 or $80. I only heard what the thing was selling for; I never knew.

Mr. TINCHER. At that time, as I remember, you complained of the price of oil cake?

Mr. THURMOND. Yes, sir.

Mr. TINCHER. At that time you were not aware of the fact that the packers had ever had anything to do with cotton oil?

Mr. THURMOND. This is the first time; I never heard of it until to-day.

Mr. TINCHER. Did you ever make a study of the proposition of whether an institute like the packers would be able to control the price of a given product by owning the surplus or a little more than the surplus of the product?

Mr. THURMOND. I do not believe that they could control the price of beef.

Mr. TINCHER. I did not ask you about the price of beef.

Mr. THURMOND. I do not know that they can do that.

Mr. TINCHER. Have you any idea along this line as to the percentage of a given product that the packers would have to own; that is, what per cent more than the surplus, to be able to control it?

Mr. THURMOND. No, sir.

Mr. TINCHER. You just have an offhand opinion that they can not control the price of beef?

Mr. THURMOND. Yes, sir.

Mr. TINCHER. Suppose it is undisputed by the packers themselves that originally they did buy and own jointly enough of the oil mills so that they owned more than the surplus of what I term the by-product of the cotton, would you have any judgment as to whether or not they could control the price of it?

Mr. THURMOND. I would not have; no, sir.

Mr. TINCHER. Not having an opinion about their ownership in it, of course, you have not taken into consideration, I consider, the price of oil cake?

Mr. THURMOND. Not the selling, they do not control the price in Oklahoma.

Mr. TINCHER. What does control the price in Oklahoma?

Mr. THURMOND. The demand.

Mr. TINCHER. Would the price in Texas have anything to do with the price in Oklahoma?

Mr. THURMOND. Yes, sir; it might.

Mr. TINCHER. Would the price in Texas have anything to do with the price of the oil cake in Oklahoma?

Mr. THURMOND. It might; yes, sir.

Mr. TINCHER. In what way?

Mr. THURMOND. Because we could ship it from Texas by paying the extra freight rate.

Mr. TINCHER. I want to read from page 681 of the hearings before the Senate committee, part 2, under date of August 27, I think it was, 1919. Senator Capper asked you this question:

I understood you to say a while ago that everything was lovely down there.
Mr. THURMOND. That part of it is all right, but this cake at $90 a ton, that is the trouble. We do not know where we are. If we have got to sell the old cows, I think the sooner we do it the better off we will be, unless we can get down to business and cut out all this legislation and get back to prewar conditions.

Mr. THURMOND. Yes, sir.
Mr. TINCHER. Did you make that statement?
Mr. THURMOND. Not $90; $70 or $80 was my statement.
Mr. TINCHER. Then, you were misquoted?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. And at the same time that you were testifying there was planned the Live Stock Producers' Association of Oklahoma?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. That is a very new organization?
Mr. THURMOND. Last summer we organized it.
Mr. TINCHER. And the effect of the organization was an immediate drop of $4 a hundred?
Mr. THURMOND. Not necessarily so.
Mr. TINCHER. I will read to you again.

Mr. THURMOND. Well, I am glad that you mentioned that, Senator. We organized this Live Stock Producers' Association about three or four months ago. Every other line of business in the world is organized, except the producers; they are not. The price of cattle slumped $4 a hundred. So we called our organization together, appointed a committee to find out what was the cause of that slump.

I think at the same time you were before the Senate Committee you testified that you were absolutely opposed to packer legislation?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. And also testified that you did not know why cattle had dropped $4 a hundred. That is true?
Mr. THURMOND. No; I did not and I do not to-day.
Mr. TINCHER. You testified then that you appointed a committee of your associates to find out?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. You were very pronounced that you did not want any packer legislation, then and now?
Mr. THURMOND. Just the same thing.
Mr. TINCHER. At the same time you never heard of the packers engaging in the oil game?
Mr. THURMOND. I never heard of it. The first time I heard of it was to-day.
Mr. TINCHER. Have you any interest in any commission company?
Mr. THURMOND. Yes, sir; I own some stock.
Mr. TINCHER. At the Oklahoma City market?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. The packers own the Oklahoma City yards?
Mr. THURMOND. I do not know. Maybe they control it. I do not know that they own it all.
Mr. TINCHER. You are interested as a stockholder in some of these commission companies?

Mr. THURMOND. Just one.
Mr. TINCHER. Which one is that?
Mr. THURMOND. The Scannell Co.
Mr. TINCHER. You rent your pens and your office——
Mr. THURMOND (interposing). From the stockyards company.
Mr. TINCHER. You were here in August to testify?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. And you are back again?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. Have you ever found out why the producers suffered that slump?
Mr. THURMOND. I know a little bit more.
Mr. TINCHER. That did not make any difference to you; you favored the packer all the time?
Mr. THURMOND. I did; I am still for him.
Mr. TINCHER. This proposition about the oil cake, you know about that?
Mr. THURMOND. Yes; a little bit.
Mr. TINCHER. Do you not know that after the five big packers went into it, bought an interest in the manufacture of it, that they reduced the price by reason of their ownership?
Mr. THURMOND. No.
Mr. TINCHER. Do you not know that they claim they used the production of cotton for the manufacture of it?
Mr. THURMOND. No, sir.
Mr. TINCHER. Do you know what they use the cottonseed oil for?
Mr. THURMOND. Yes, sir; I have an idea about that.
Mr. TINCHER. What is the price of it compared with the past?
Mr. THURMOND. I imagine it is off; I do not know prices.
Mr. TINCHER. You think it is off?
Mr. THURMOND. I think it is.
Mr. TINCHER. You better look it up.
Mr. THURMOND. I am not posted, I will state frankly.
Mr. TINCHER. Does it not make any difference to you, the price?
Mr. THURMOND. If a man does not know, he does not know; that is all.
Mr. TINCHER. Suppose they controlled sufficient of the cotton oil so that they could control the surplus and thereby the price, and they raised the price of the manufactured products from that oil: kept that right up and raised it higher than ever before they owned the mills?
Mr. THURMOND. I am not posted on that proposition. I would not say that there would be any harm in their going into it for their own use.
Mr. TINCHER. You are quite sure, as to Oklahoma City, of two things; one is that you want the packers to own the stockyards?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. And you do not want any Government regulation of the Oklahoma City yards?
Mr. THURMOND. Yes, sir.
Mr. TINCHER. You speak from the standpoint of a stockholder in a commission company?

Mr. THURMOND. No; I am speaking from the standpoint of an individual, because I own a very small interest in the commission firm, one-tenth, which would not make any difference at all.

Mr. TINCHER. Oil is the sustaining game, you said, in your locality?

Mr. THURMOND. We lease the oil lands.

Mr. TINCHER. That is the sustaining game in your locality?

Mr. THURMOND. It is pretty good, and we are going on.

Mr. VEEDER. Are you speaking of the cottonseed oil?

Mr. THURMOND. I am not speaking about cottonseed oil. I know nothing about cottonseed oil—nothing at all.

Mr. TINCHER. The packers put up the price of everything, mostly putting other people out of business?

Mr. THURMOND. I never heard of a case of putting them out of business.

Mr. TINCHER. Do you know of one single thing that the packers have reduced the price of to the consumer?

Mr. THURMOND. I do not know, or anybody else, recently?

Mr. TINCHER. I believe that you stated you found the retailers in the town were making an enormous profit on bacon?

Mr. THURMOND. Yes, sir.

Mr. TINCHER. And you found that to be all right?

Mr. THURMOND. One butcher said that he used four delivery wagons and had a great many telephone calls and very heavy overhead expenses, and was not making any money.

Mr. TINCHER. And you decided, then, to let the whole proposition alone?

Mr. THURMOND. Yes.

Mr. TINCHER. And to let the packers alone?

Mr. THURMOND. Yes.

Mr. TINCHER. Why not do away with the Interstate Commerce Commission and let the railroads alone?

Mr. THURMOND. That is a different proposition. Supply and demand does not regulate that. You can not get away from that, Congressman, that this meat proposition, the demand will regulate the price of. You take the demand away and the price will go down. That is all there is to it. What we want is more demand. If we knew how to get it we would be all right.

Mr. TINCHER. Of course, you appreciate the fact that this committee should have full and complete information concerning the various things that the packers are doing?

Mr. THURMOND. That is all right; you bet it is.

Mr. TINCHER. For instance, we should take into consideration their connection with the cotton mills?

Mr. THURMOND. Yes, sir; that is all right.

Mr. TINCHER. They are nice things to know, whether we do our Christian duty or not.

Mr. THURMOND. That is all right; you bet it is.

Mr. TINCHER. That is all.

Mr. ANDERSON. I think you said that in talking with men you came into contact with in Oklahoma, you did not find any one of them who favored Government control?

Mr. THURMOND. No, sir.

Mr. ANDERSON. Government control and operation?

Mr. THURMOND. Government control and operation.

Mr. ANDERSON. Do you know of any bill pending which provides for the Government control and operation of the packing plants?

Mr. THURMOND. The Anderson bill.

Mr. ANDERSON. It does not provide for control or operation of the packing plants. I venture to say that if you put it to them that way they did.

Mr. THURMOND. In our State the people are against Government control in any form, the railroads, the wires, the packers, and anything else.

Mr. ANDERSON. I understand that you are a banker?

Mr. THURMOND. Yes, sir.

Mr. ANDERSON. Is your business as a national bank?

Mr. THURMOND. Yes, sir; both kinds.

Mr. ANDERSON. Your bank is under Federal supervision?

Mr. THURMOND. Yes, sir.

Mr. ANDERSON. Do you think that Federal supervision is a bad thing for the banking business?

Mr. THURMOND. No; I think it is fine.

Mr. ANDERSON. You do not think that reasonable supervision would be a good thing for stockyards or packing plants?

Mr. THURMOND. No, sir; I do not.

Mr. ANDERSON. I understood you to say that you loaned money on cattle?

Mr. THURMOND. Yes, sir.

Mr. ANDERSON. What rate of interest do you get?

Mr. THURMOND. Eight per cent.

Mr. ANDERSON. Have you read the reports of the Federal Trade Commission?

Mr. THURMOND. No, sir.

Mr. ANDERSON. You never have read them?

Mr. THURMOND. No, sir.

Mr. ANDERSON. And notwithstanding that you have not read them you feel entirely competent to pass upon the question as to what they should do about this legislation?

Mr. THURMOND. I think they are clothed with proper authority to investigate the packers.

Mr. ANDERSON. Did you ever hear of any practices inimical to the stock raisers' interest in the stockyards at Fort Worth?

Mr. THURMOND. No, sir.

Mr. ANDERSON. You have not read the report of the Secretary of Agriculture to the effect that in the stockyards there they buy corn at the weight bushel and sell it by the measured bushel and in that way interfere with the interests of the producers?

Mr. THURMOND. I never heard of that.

Mr. ANDERSON. If such a thing existed you think it should be corrected?

Mr. THURMOND. Yes, sir; I believe in honest and square dealing.

Mr. ANDERSON. How would you suggest going about correcting conditions of that kind?

Mr. THURMOND. I do not believe in Oklahoma City that that condition ever existed, because the duty of the commission firm is to see when they buy a bushel of corn that they get it or when they buy a bale of hay that they get a bale of hay.

Mr. ANDERSON. You think that if that condition existed it should be corrected?

Mr. THURMOND. Yes, sir.

Mr. ANDERSON. And the proper way to do that would be to have some Government agency do it?

Mr. THURMOND. I do not know why it should be a Government agency.

Mr. RAINEY. Through a live-stock exchange?

Mr. THURMOND. Yes, sir; that would be the proper way to reach it.

Mr. ANDERSON. There is no live-stock exchange in Fort Worth?

Mr. THURMOND. There is, at Oklahoma City.

Mr. VESTER. I think there is, but not incorporated.

Mr. ANDERSON. Have you read the report of the Federal Trade Commissioner that Morris and Swift went 50–50 on the purchase of hogs down at Oklahoma City?

Mr. THURMOND. No, sir.

Mr. ANDERSON. You never heard of that?

Mr. THURMOND. No, sir.

Mr. ANDERSON. If they did that, would you think that that worked for a high degree of competition?

Mr. THURMOND. There would have to be some evidence to convince me that they did that.

Mr. ANDERSON. Here is some evidence in Part 2 of the report of the Federal Trade Commission. On page 73 there is a tabulation which shows that the purchase of hogs as between Swift & Co. and Morris & Co. did not vary over one-half of 1 per cent in the years, 1913, 1914, 1915. 1916, and 1917. Do you think that is a condition that would increase competition?

Mr. THURMOND. I do not know anything about that report. My personal opinion would come first with me. I absolutely know of real, actual competition in Oklahoma City.

Mr. ANDERSON. You were very much impressed with competition among speculators?

Mr. THURMOND. Yes, sir.

Mr. ANDERSON. Did that impress you more than the competition for fat cattle?

Mr. THURMOND. No, sir.

Mr. ANDERSON. There was no difference?

Mr. THURMOND. No, sir.

Mr. ANDERSON. These two buyers from Swift and Morris were then in as much competition for the fat cattle as there was between the speculators for the stockers and the feeders?

Mr. THURMOND. No. In case where there would be a string of white-faced cattle come down some particular man would want them and sometimes have to pay more than the market for them.

Mr. ANDERSON. Who would pay?

Mr. THURMOND. The speculator.

The CHAIRMAN. Who would?

Mr. THURMOND. The speculator.

Mr. ANDERSON. When speaking about the market you speak of Chicago?

Mr. THURMOND. No; Oklahoma. We have a market of our own, which is sometimes higher than the Chicago market and sometimes lower.

Mr. ANDERSON. You never had any indication of a packer operating in Oklahoma City in an effort to kind of work in line with Chicago?

Mr. THURMOND. Yes, sir; they make a strong effort. We have that. That can not be worked. Unless they paid the price we would not have the market.

Mr. ANDERSON. In that event that would rather indicate that the price at Oklahoma City was the Chicago price, less freight?

Mr. THURMOND. Not necessarily so.

Mr. ANDERSON. Why not?

Mr. THURMOND. The supply enters into it.

Mr. ANDERSON. How can the supply enter into it when they buy fifty-fifty?

Mr. THURMOND. I do not think they have ever bought there.

Mr. ANDERSON. It is admitted.

Mr. THURMOND. I do not know.

Mr. ANDERSON. You would believe it if they did admit it?

Mr. THURMOND. I would; yes, sir. If they told me so I would believe it.

Mr. ANDERSON. I ask to put in the record the letter appearing on page 91 of the Federal Trade Commission report and another letter appearing on page 92 of the Federal Trade Commission report, part 3, and also a table appearing on page 73 of part 2 of the Federal Trade Commission report, respecting the fifty-fifty arrangement at Oklahoma City.

Mr. MCLAUGHLIN of Michigan. Can you not just refer to them?

Mr. ANDERSON. This witness denies that any such thing existed. but I do not care particularly.

Mr. VEEDER. Those table were made out after the purchases were completed and not in advance of them. They ought to show some relation to each other in the figures. These tables show after the purchases were made.

Mr. ANDERSON. The correspondence shows that both firms at both places undertook to buy on the basis of fifty-fifty.

Mr. VEEDER. I would like to have it read, then, instead of having it referred to.

Mr. ANDERSON. I will read some portions of those letters, with the permission of the gentleman from Michigan.

Mr. MCLAUGHLIN of Michigan. I do not want to lumber up the record; I do not want to object.

Mr. ANDERSON. I will read into the record a part of each letter:

OKLAHOMA CITY, OKLA., *April 13, 1916.*

Mr. T. E. WILSON,
President, Chicago, Ill.:

* * * I have requested Mr. Luening, our beef man here, and Mr. E. C. Hill, the cattle buyer, to get up a letter to you, stating as to why they did not follow instructions and get more cattle on this market last week.

I convinced them that they had made a mistake after receiving Mr. Collday's wire, that they did not wire to you or me as to whether they should take about 50 per cent of the cattle on this market and have instructed them in the future to take about 50 per cent of the receipts unless they receive different orders from you or I. Please let me know if this arrangement meets with your approval. * * *

C. H. HILL.

I read from another letter:

OKLAHOMA CITY, OKLA., *April 13, 1916.*

Mr. T. E. WILSON,
President, Chicago, Ill.

* * * For some time past, and until we received this wire, we have not heard from Mr. Colladay in reference to cattle purchases, which matter was left entirely to Mr. C. H. Hill, of Kansas City, and we have been taking about 50 per cent of the cattle here as per his orders. In fact, since Ernest Hill came to this market on February 15, 1915, and the regulations of our cattle purchases were left entirely to Mr. C. H. Hill, of Kansas City, everything had been running very smoothly, and we were getting our cattle well in line with northern markets until this matter came up last week. * * *

After to-day's meeting with Mr. C. H. Hill, of Kansas City, we have decided that we will take 50 per cent of the cattle on this market, or as near as possible, unless we receive orders to the contrary from either you or Mr. C. H. Hill. * * *

E. C. HILL.
J. J. LUENING.

Here is a telegram, as follows:

[Private-wire telegram.]

148 Wilson.

Answering, will be very glad to see Mr. Wyness here Monday, and talk matter over with him.

(Notation on telegram:) T. E. W. C. H. Hill.

(Notation on letter:) L. H. H. (L. H. Heymann, vice president of Norris & Co.) Please note and return. T. E. W.

The following table appears on page 73 of part 3 of the report of the Federal Trade Commission:

Oklahoma City swine.

	Morris.	Per cent.	Wilson & Co.	Per cent.
1913	155,752	50.00	155,770	50.00
1914	202,350	50.06	201,878	49.94
1915	236,336	50.98	227,228	49.02
1916	376,625	52.06	346,879	47.94
1917	258,561	49.77	260,942	50.23

I think that will be sufficient for the present.

I gathered from what you said that you think it would be all right to regulate the shoe business a little?

Mr. THURMOND. Yes, sir; not only that, but clothing and everything else all down the line, as well as the packer. I do not understand why they want to pick out the packer.

Mr. ANDERSON. You think all of them, but not the packing business?

Mr. THURMOND. No; I do not say the shoe business. I say everything. If you do anything, do it all. I understand there are things that need fixing; that is my statement.

Mr. ANDERSON. Well, if it were shown that the price of cattle in the first week of April was $11.25 and in the first week in July was $11.50—that is a drop of about 19 per cent—and that in the same period hides incrceased in price from 72 to 124 per cent, would you think that that indicated that the packers had anything to do with the incrcease in the price of shoes?

Mr. THURMOND. I do not know that the packers control the hide market. I do not know that.

Mr. ANDERSON. But I am asking you if you think this condition would have any effect upon the price of shoes.

Mr. THURMOND. I do not know.

Mr. ANDERSON. You do not know anything about that?

Mr. THURMOND. No, sir.

Mr. ANDERSON. That is all.

Mr. RAINEY. When you spoke of Mr. Carlin's testimony here, it was not your purpose to discredit Mr. Carlin, was it?

Mr. THURMOND. Not at all. He is a very fine gentleman.

Mr. RAINEY. It was simply to reinforce the suggestion he offered that it would be ill advised for the packers to get away from the stockyards?

Mr. THURMOND. Absolutely; and I agree with him.

Mr. RAINEY. That is all, Mr. Thurmond.

The CHAIRMAN. Mr. Thurmond, you said you had not read the commission's report?

Mr. THURMOND. No, sir; not at all.

The CHAIRMAN. I should like to read from page 24 of volume 1 of that report—the report dated June 24, 1919:

> We have found that it is not so much the means of production and cooperation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market prices and means of transportation and distribution.
>
> If these five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of trasportation, of marketing, and of storage, their position would not be less strong than it is. The producer of live stock is at the mercy of these five companies because they control the market and the marketing facilities and, to some extent, the rolling stock which transports the product to the market.

Are you in favor of giving them that control? Are you in favor of that condition?

Mr. THURMOND. I do not understand that. Will you read that again?

The CHAIRMAN. Certainly. It says that the producer of live stock is at the mercy of the five big companies, having reference to the five big packers, because they control the market and the marketing facilities and, to some extent, the rolling stock which transports the product to the market. Having that in mind, do you still think they should own the transportation facilities and the stockyards?

Mr. THURMOND. Yes, sir.

The CHAIRMAN. Do you think that that condition is ideal?

Mr. THURMOND. Yes, sir; I do.

The CHAIRMAN. Now, speaking of the consumer, they say:

> The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief.

Do you think that that is an ideal situation?

Mr. THURMOND. Of course, here is the proposition—answering your question: I do not know anything about the Federal Trade Commission; I have not read their report. I came here simply to tell the committee the conditions in our country. I know nothing about any other stockyards, because I spend all my time in Oklahoma City in the yards there. I never have been in the Fort Worth

yards in my life, and have not been in the Kansas City yards for 10 or 15 years. But I do know about the Oklahoma City yards. The people there are satisfied with the way things are going, except that they all feel that it is time to cut out the investigation of the packers. That is the way they feel about that.

The CHAIRMAN. Let me read one more statement from this report:

If these five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is.

Mr. THURMOND. Yes. I am absolutely in favor of the packer owning his refrigerator cars, because I know that in Oklahoma City if they did not own them, we country boys would ship our cattle to town and there would be no cars to ship the product out in. The way the business is handled in our country, if it is left to the railroads, they will promise you cars to ship and maybe you will get them in a week. Last year I sold a bunch of steers to be delivered on a certain date, and I had to hold those steers in the cold and rain for 10 days. That is just what would happen if you took the refrigerator cars away from the packers.

The CHAIRMAN. About the joint funds, this report states, on page 64:

These joint funds, as will be shown in one of the sections of the report, were used:

To employ lobbyists and pay their unaudited expenses;

To influence legislative bodies;

To elect candidates who would wink at violations of laws, and defeat those pledged to their enforcement;

To control tax officials and thereby evade just taxation.

Do you approve of that?

Mr. THURMOND. No. They do not do that in our country. They pay their taxes.

The CHAIRMAN. Let me read this, under the head of "methods and results of the combination":

To monopolize and divide among the several interests the distribution of the food supply not only of the United States but of all countries which produce a food surplus, and, as a result of this monopolistic position.

To extort excessive profits from the people not only of the United States but of a large part of the world.

Do you think that is an ideal situation? Bogus independents, local price discrimination, short weighting—is that a commendable practice, in your opinion?

Mr. THURMOND. We have no trouble like that in our country. There is no short weighting there.

The CHAIRMAN. Let me read from page 69:

They short weight the retailers on their shipments of meat; they short weight the Government; and, to make a complete job of it, they short weight one another.

Here is an amusing example of the last-named practice, in the form of an extract from a letter of July 6, 1917, by Mr. Armour to a storage company at Mineral Point. They asked for a weigher [reading]:

Now, if you have not an official weighmaster, get some fellow that looks like one and furnish him with blanks, if necessary, yourself. It is hardly neces-

sary to have him make a test of each lot. You can arrange to have a few cheese sitting around for him to weigh that are not going to show up too much shortage. Whatever you do, however, give them good weight on the car.

The report continues:

How considerably this practice of short weighting may affect the retail price of meats appears from a single example, selected at random from several tests made in the presence of the commission's agents.

Here are the weights. For instance, one barrel of pork was marked 287 pounds; actual weight 284 pounds. Another: Marked 21 pounds; actual weight, 29 pounds. Another, marked 266 pounds; actual weight, 265 pounds [continuing reading]:

Here were 11 pounds of pork which the retailer is forced to pay for because of the inflexible rule of the big packers that shipments must be accepted at stamped weights.

Do you think that practice should continue?

Mr. BORDERS. Mr. Chairman, is there any indication there as to how many million pounds were covered in order to discover those few pounds?

The CHAIRMAN. Let me read from this letter:

You can arrange to have a few cheese sitting around for him to weight that are not going to show up too much shortage. Whatever you do, however, give them good weights on the car.

That would indicate that there was some purpose back of it to short weight them. Of course, this is the report of the Federal Trade Commission; I am not sure that it will be accepted in toto.

Mr. WELD. Let me say there, Mr. Chairman, that practically all those things you are reading are, of course, absurd, and we shall be glad to answer everyone of them, when we get on the stand—the representatives of the packers.

The CHAIRMAN. I am simply reading from the report; I am not expressing an opinion as to the accuracy of the report, but it is a finding of a Government agency and unless it is denied I think it should be accepted.

Mr. BORDERS. Mr. Chairman, one of the strongest statements in this whole report is to the effect that all of the packers in competition with the five larger packers exist by suffrance. Now, we have had a great many hearings, and there has not been a single competitor at those hearings, and there will not be here, who will substantiate that statement; and if this committee will take the time to hear practically 500 competitors of these five large packers in the interstate business of selling beef, it will find that that statement is absolutely untrue. And if an important statement of that kind is untrue, then I submit that the other statements in that report should be received with at least some caution.

Mr. TINCHER. May I make this suggestion here? The other day there was an independent packer here from Iowa, who testified that the big packers should not be molested, that they were very fair to him and he had only one grievance in present conditions, and that was the railroad rate that had contributed to a deficiency that existed in his business. He did not understand why the rate was fixed; it was fixed by the Railroad Administration. He contemplated making an effort here to have the rate changed, although he expected, he said, to meet with resistance from the packers, and the Interstate Commerce Commission changed that rate.

Now, the next day after that the cattleman takes the stand here and reads into the record a letter that one of the packer representative writes back to Chicago when the commission that fixed this rate was appointed, explaining just what his standing was with him, what the five big packer's standing was with this man, and the view of the five big packers, and contemplating in this letter that he could do just what he did to the independent packer.

You say there is no evidence of the big packers doing anything to the injury of the independent packers; I say there is some evidence at least.

Mr. BORDERS. If you have in mind the man I think you have, I do not think you will state, Mr. Tincher, that in your honest judgment that man could be reached for one moment by the packers or anybody else.

Mr. TINCHER. I do not know. I know that when we reached for harvest-hand rates last summer we did not get them, and the tourists did. Of course, I am not holding a brief for anyone connected with the Railroad Administration.

Mr. VESTER. Mr. Tincher, that was a rate fixed by the railroads. Now, the packers are not the final court of determination of railroad rates. If there happened to be put into effect by the railroads a rate that was favorable to some packers as against others, probably the packers in whose favor that rate might operate would not object to it. The rate is made by the railroads and not by the packers. It is difficult to see how appointing a commission to regulate and control the business of the packers is going to modify the rates fixed by the railroads with the approval of the Interstate Commerce Commission.

Mr. TINCHER. Be that as it may, your denial of doing anything to the injury of the independent packers is in this situation: Here is an independent packer testifying for the large packers, begging us not to pass any legislation affecting them. Incidentally to his testimony he mentioned a thing that caused a deficit in his business practically as an apology for the large packers. He had a deficit that he accounted for by this rate. The next day a letter is read into the record showing that the five big packers do have a representative in Washington who is watching the rate proposition, and saying that he would be able to do just what he did do that has caused a deficit with this independent packer.

I mention that because the gentleman representing Morris & Co. flatly denies that there is any evidence of the five large packers doing anything unfair to the independent packers.

Mr. WELD. As I remember it, there was no imputation in that letter that this man would be likely to give the packers any unfair advantage. The statement was that he knew the man, and he knew he would be fair to our interests; in other words, that he would not be unfair to us and would not be unfair to anybody else.

Mr. TINCHER. Of course I do not charge the man writing the letter with being an idiot or a fool.

The CHAIRMAN. And, Mr. Thurmond, your home is in Oklahoma City?

Mr. THURMOND. Yes, sir.

The CHAIRMAN. Do you know Mr. E. T. Eldridge?

Mr. THURMOND. A hog man?

The CHAIRMAN. I presume so.

Mr. THURMOND. If he is the hog man, I know him.

The CHAIRMAN. Let me read to you from a letter from Morris & Co., taken from their files:

DEAR SIR: Notice Armstrong was in your market yesterday and bought 210 hogs. With receipts getting now we can't afford to have Armstrong take any hogs out of our market. If he comes in for any hogs, let us put the market up a bit and make him pay enough so he will stay out. Our receipts are so light it is hard to operate a place even if no outsiders buy on the market.

Is that situation satisfactory? I understood you to say that everything was lovely in Oklahoma?

Mr. THURMOND. I do not want this statement put in the record. I do not want to take this statement for anything; I do not believe Morris was even connected with it.

The CHAIRMAN. But this is Mr. Morris' letter. The report says:

This is illustrated by the following letter from Morris & Co.'s files, signed "E. M., jr.," presumably Edward Morris, jr.

Mr. THURMOND. Have you the original letter from Morris?

The CHAIRMAN. No; I have not the original letter, but this purports to be a copy of the original letter. I understand the original letter is in the files of the commission.

Mr. THURMOND. It may be true, but I would not believe that man Eldridge at all.

The CHAIRMAN. But would you believe Mr. Morris?

Mr. THURMOND. Certainly; if it is an original letter, all right.

The CHAIRMAN. I will read one more letter:

W. DEISING,
Omaha:

Notice you sold some beef cheek meat at 12½ cents. E. A. C. says not to sell any more, but to consider it worth 18 cents. Would suggest you hold this stock, as we have been discussing recently with the Food Administration about having the specifications for canning meat revised, so that cheek meat might be included, and would like to have this extended to shank meat and bull meat.

Mr. THURMOND. I never heard of it before.

The CHAIRMAN. Do you approve of the practice? That is the question.

Mr. THURMOND. I will tell you how I stand. If the packers are guilty of anything, punish them. But in our country I do not believe those things occurred.

The CHAIRMAN. Their own correspondence here would indicate——

Mr. THURMOND (interposing). That is the proposition—when they are wrong, get them right. That is exactly the way I feel about it.

The CHAIRMAN. You would favor prosecution?

Mr. THURMOND. Absolutely; prosecute them to the end.

The CHAIRMAN. You would have stringent laws and make them obey the law?

Mr. THURMOND. They should be square, just the same as every other man should be.

The CHAIRMAN. That is all. We are very much obliged to you, Mr. Thurmond.

Mr. THURMOND. There is one statement that I would like to make in regard to competition at the yards. About the 17th day of No-

vember I had a load of hogs on the market at Oklahoma City. I do not know whether Wilson & Co. bought them or whether Morris bought them, I am not sure, but the first man that looked at them bid 7¾ and the other man bid 8¼. There was a difference of 50 cents between them.

The CHAIRMAN. Then there really is competition in the yards?

Mr. THURMOND. There really is competition. I just wanted to show you that there was a difference of 50 cents in this case.

Mr. TINCHER. You do not know whether the 50-50 arrangement had anything to do with it?

Mr. THURMOND. I do not think so, because I was right there and heard the conversation.

Mr. RAINEY. Does your question suggest that there is an arrangement of 50-50 each day?

Mr. TINCHER. No; it runs by the week, by the month, or by the year. Of course every day they do not buy an exact 50-50.

Mr. THURMOND. I believe you could put every man in the Oklahoma City yards on the stand and you could not prove that by a single man.

Mr. MCLAUGHLIN of Nebraska. Mr. Chairman, it is easy for the witness to say that he does not believe so and so, but when you consider the Federal Trade Commission's report, showing instance after instance, it is a different matter. I think the witness should be able to say just a little more than "I do not believe it."

Mr. LIGHTFOOT. None of that testimony was taken under oath up there in the Federal Trade Commission. They went into the files and took the letters and put them in the record.

The CHAIRMAN. There is no question as to the letters?

Mr. LIGHTFOOT. Oh, no.

Mr. RAINEY. As I understand it, Mr. Thurmond is giving his experience.

Mr. THURMOND. Yes, sir; that is all I can give.

The CHAIRMAN. Are there any further questions?

Mr. MCISAAC. Mr. Chairman, I should like to be permitted to ask a few questions. I am Mr. McIsaacs, an employee of the Federal Trade Commission. In view of the way the hearings have run on, I would like once in a while to ask a question—not representing the Federal Trade Commission, but simply because I was in the investigation and have some little familiarity with the facts. I do not propose to encumber the record.

The CHAIRMAN. If the committee proceeds as it has in the past, I take it that will be agreeable to the committee.

Mr. MCISAAC. You say it is the light demand that has created the situation in the cattle business the last year—1919?

Mr. THURMOND. The latter part of 1919 and up to date this year.

Mr. MCISAAC. You judge the demand for money by the volume of loans you make each year. That is, when there is a good demand you make more loans and when there is not a good demand you do not make so many?

Mr. THURMOND. We do not make so many. If we do not have the demand we do not make the loans.

Mr. MCISAAC. Was it the lack of demand for cattle or the lack of demand for meat that brought about the situation last year?

Mr. THURMOND. The lack of demand for meat—over production. I think that is what we have to-day—an over production of meat.

Mr. MCISAAC. Then how do you account for the fact that Swift & Co. in 1919 did a total volume of business of $1,200,000,000? I think that was their banner year, with the possible exception of the year before. How do you account for that if there was this lack of demand that you speak of?

Mr. THURMOND. The only thing I know to say—we have no European demand to-day for meat.

Mr. MCISAAC. I am asking about 1919.

Mr. THURMOND. I do not know; they might have had a lot of Government orders and other business.

Mr. MCISAAC. Then there was a demand?

Mr. THURMOND. Yes; early in 1919. Certainly there was a demand. But not in the late summer and early fall and winter.

Mr. MCISAAC. Did you know that Swift & Co.'s volume of business for 1919 amounted to a banner year, in spite of the fact that previously Swift & Co. had separated several of its companies or partly separated them?

Mr. THURMOND. No; I did not know that.

Mr. MCISAAC. That is all.

Mr. RAINEY. I will call on Mr. A. M. James, of Dalhart, Tex. Mr. James, give your full name and address to the reporter.

STATEMENT OF MR. A. M. JAMES, LIVE-STOCK PRODUCER, DALHART, TEX.

Mr. JAMES. My name is A. M. James, of Dalhart, Tex.

Mr. RAINEY. And your business?

Mr. JAMES. The cattle business. I am a producer, and have been for a good many years. It has been my principal business.

The reason I am here is because several of the producers in our neighborhood got together and decided to send a man up here to protest against this bill or resolution regulating the packers and more particularly for creating a commission to govern the packing interest of the country. They believe and I believe that this commission will be detrimental to the producing interests of the country as well as the consumers. We have not been able to figure out where it could be of any benefit to anyone. As we understand it, there will be political appointees. It occurs to me that in order to get a commission that would be competent to control the packing industry of the country it would be necessary to go into their own ranks to get men that understand the industry in such a way that they could control it as it should be controlled.

Mr. ANDERSON. Do you think that there should be any legislation, or are you simply objecting to a commission?

Mr. JAMES. I am objecting to this entire bill that is proposed here.

Mr. ANDERSON. Have you read it?

Mr. JAMES. Yes, sir.

Mr. ANDERSON. What is your idea of what it provides?

Mr. JAMES. It provides for a commission for the control of the packing industry of the country.

Mr. ANDERSON. Control how? What is the provision for control that you object to?

Mr. JAMES. All of them. I object to any control, any Government control of the packing industry whatever, or any commission that might be politically appointed.

Mr. ANDERSON. Well, I want to ask you if you have any objection to the packers being prohibited from engaging in any unfair, unjustly, discriminatory, or deceptive practice or device in commerce?

Mr. JAMES. I have no objection to that, but I believe we have laws at the present time, that if the packers are engaging in any unfair or discriminatory practices they should be prosecuted.

Mr. ANDERSON. Have you any objection to the packers being prohibited from selling or otherwise transferring to or for any other licensee, or buying or otherwise receiving from or for any other such licensee, any live stock or live-stock products for the purpose of apportioning the supply between any such licensees, or unreasonably affecting the price of or creating a monopoly in the acquisition of, buying, selling, or dealing in live stock or live-stock products in commerce? Do you object to a provision of that sort?

Mr. JAMES. No; but I believe that is covered by our antitrust laws at the present time.

Mr. ANDERSON. You believe it is?

Mr. JAMES. That is my understanding of the laws, yes; and if they violate them they should be prosecuted.

Mr. ANDERSON. Are you a lawyer?

Mr. JAMES. No.

Mr. ANDERSON. You are a stock man?

Mr. JAMES. Yes; I have had a good deal of experience in the law at different times.

Mr. ANDERSON. What experience?

Mr. JAMES. Not in the packing industry. I am not here to defend the packers; I am here, as I stated, representing the principal producers of our district.

Mr. ANDERSON. I am trying to find out what it is in this bill that you object to.

Mr. JAMES. I object to the commission control of the packing industry or any other industry in this country.

Mr. ANDERSON. This bill does not provide for a commission—the bill the committee is considering now.

Mr. RAINEY. But, as I understand it, Mr. Anderson accepted the Gronna report.

Mr. ANDERSON. Oh, I am in favor of a commission, but I am trying to find out what this gentleman knows about the bill that he is objecting to.

Mr. RAINEY. Which bill are you referring to?

Mr. JAMES. You have so many bills a man can not keep track of all of them. As I understand it, your hearing is on the Gronna bill at the present time. That is the bill I have seen.

Mr. ANDERSON. Do you object to a commission firm being prohibited from engaging in unfair or unjustly discriminatory devices or practices or making unreasonable charges or rates in connection with the sale or purchase of cattle in the stockyards?

Mr. JAMES. No, sir; I do not object to those things; but, as I say, I think they should be prosecuted. We should not appoint a commission here when we have laws already to govern those practices.

Mr. ANDERSON. Do you think that after the food control act expires there will be any law under which you could in any way regulate the packers or charges in the stockyards?

Mr. JAMES. Well, I do not know any laws that you have. We have the regulations of the different stockyards throughout the country.

Mr. ANDERSON. What kind of regulations?

Mr. JAMES. They are made by the different exchanges.

Mr. ANDERSON. You think it is all right for the exchanges to regulate their own practices, but you do not think it is all right for the Government to regulate them?

Mr. JAMES. I think the exchanges and the people that are handling our business on the exchanges know more about those conditions than any commission man put in by the Government to handle them. I am personally willing to leave it up to the exchanges to fix these rates that are to be charged.

Mr. ANDERSON. A report by the Secretary of Agriculture says that at the Fort Worth exchange, for a number of years at least, it has been the practice to buy corn by weight and sell it to the stock men by measure, and in that way to get a larger price for the corn than seemed to be justified; in other words to gouge the producer. Do you think that that practice ought to be continued?

Mr. JAMES. I think we have as good a short-weight law in Texas as any State in the Union, and if that practice is in effect there I see no reason why they should not be prosecuted under our present State laws.

Mr. ANDERSON. It is not done, is it?

Mr. JAMES. Not that I know of.

Mr. RAINEY. Do you know practices of this kind to have existed down there?

Mr. JAMES. Not to my knowledge; no, sir.

Mr. RAINEY. Have you any statement you desire to make, Mr. James, with reference to licensing regulation or the appointment of a commission other than what you have suggested?

Mr. JAMES. Well, I am strictly opposed to any commission or licensing of the packing industry.

Mr. RAINEY. What has been your experience in selling cattle on exchanges? Has there been active competition?

Mr. JAMES. Absolutely; yes, sir.

Mr. RAINEY. You know of no combination there amongst the large packers to lower prices?

Mr. JAMES. If there is such a combination I do not know it.

Mr. RAINEY. You have always had a fair market for your cattle?

Mr. JAMES. I believe that my cattle have always brought what the market justified. Of course, there are conditions that exist at the present time—we all know that the cattlemen are not making any money. Last year was the most disastrous year the cattle industry in the West has ever experienced, and it is a habit with us producers that if we have a bad year and take a loss we want to have somebody to blame for it, and naturally we will jump on the packer because we can not pick out anybody else. But there are a lot of other things. Our losses have been caused more by the elements, in fact, than they have by decline in the market in the past two years. We have had droughts, we have had hard winters, and a great many other things.

Mr. ANDERSON. You think there is an overproduction of cattle and hogs in the country?

Mr. JAMES. At the present time I think there is an overproduction of beef cattle. I do not mean really that there is an overproduction for the future supply of beef, but right at the present time there is and probably has been for the past six or eight weeks. Our cattle are all losing money. I am feeding cattle myself, and they will not pay the feed bill. I believe it is the experience of 90 per cent of the cattle feeders at the present time that they are losing money. I think this condition of lack of demand is because our exports have been cut off and we have had a surplus of beef for our home consumption.

Mr. BORDERS. Mr. James, how large a producer are you?

Mr. JAMES. I run from 15,000 to 20,000 cattle on the ranch all the time, and handle a good many on the side; that is, cattle that I buy and feed and run into market outside of the cattle that I run on the ranch and raise and produce from year to year.

Mr. RAINEY. Have you ever experienced the condition in the market, in the sale of your cattle, that only one of the big packers would bid on them?

Mr. JAMES. No, sir; I do not know that I ever had a bunch of cattle on the market that there was not more than one bid on them. It might have happened and I did not know it, but it is very seldom that cattle are ever sold on the first bid unless they consider it is as good as the market will justify.

Mr. RAINEY. In the sale of your cattle, have you ever experienced the five large packers offering the same price?

Mr. JAMES. No, sir; I have never known that to occur to my personal knowledge. I am not saying that it has not occurred, but to my personal knowledge it has not.

Mr. YOUNG. Where do you ship your cattle, Mr. James?

Mr. JAMES. To Fort Worth, Oklahoma City, Kansas City, and St. Louis.

Mr. YOUNG. In shipping to those various markets, do you find one more satisfactory than another?

Mr. JAMES. At times. They vary. They are not always the same. Sometimes you will find it advantageous to go on to St. Louis and pay a higher freight rate. At other times it is better to sell nearer home.

Mr. YOUNG. That is the point that I have never got through my head. Down in my section, although it is within 60 miles of Fort Worth, the major part of the stock is shipped to St. Louis, about 750 miles, with a good heavy freight charge. The cattle are, of course, damaged in shipment. I have never been able to understand since we have had those packing establishments in Fort Worth, being the same as operate in St. Louis, Kansas City, and Chicago, why a stockman in Kaufman County should not get the Kansas City market plus the freight.

Mr. JAMES. Well, that is easily explained. The packing houses in Fort Worth could not possibly handle the production of the Southwest. They can not kill the number of cattle that are produced and matured in the territory adjacent to Fort Worth. If some of these cattle did not go to the eastern markets they would have to move

these packing houses down there and establish more packing houses to handle this production. It is simply because we produce more cattle in that territory than the packing houses in Fort Worth can kill.

Mr. YOUNG. Granting that, a further point I have never been able to understand is this: It is always the most highly finished cattle—do you know Mr. Cartwright?

Mr. JAMES. Yes.

Mr. YOUNG. He is a very large cattle man. Men of that type frequently go to Fort Worth and buy these bald-faced cattle and select them as individuals frequently, and bring them back over there and feed them. They are very beautiful cattle when they are finished. Now, it is that high type of fat cattle that I have observed from year to year being shipped to these far distant markets. The culls out of these herds usually drift over to Fort Worth. I have never been able to understand why that condition existed.

Mr. JAMES. In the first place, the demand for the higher priced meats is principally in the East.

Mr. YOUNG. Let me stop you right there for just a minute. So that if the packers see fit to do it, knowing that this high-grade stock finds its market in the congested centers of the East, they can make it advantageous to the cattle producer down in my home to ship these cattle to these foreign markets, so far as the actual price on the Kansas City market is concerned; but in so doing the packers save the freight and the producer has got to pay for that long haul.

Mr. JAMES. Here is another thing you may not have thought of. In shipping cattle from the territory adjacent to the Fort Worth market to St. Louis you have a higher freight rate. That freight rate applies just the same if you have a cheap grade of cattle or low-priced cattle. Your freight is just as great per hundred pounds as it is on your higher-priced cattle. Therefore the rate is a less percentage on the higher-priced cattle than it is on the cheaper grade. That is one reason why the higher-priced cattle will go farther to a market than the cheaper cattle. In other words, if it costs us in the neighborhood of 50 cents a hundred to ship these cattle and if we have cattle that are only bringing 5 cents a pound, our freight is 10 per cent of the value of them, while if we have cattle that will bring 15 cents our freight rate is a great deal less percentage on those cattle.

Mr. YOUNG. I do not just exactly get it yet. As a layman—I am not in the cattle business personally, and know nothing about the transaction, but I do take a great deal of interest in watching these shipments of cattle.

Mr. JAMES. I have done a lot of figuring on it; I have sat up at nights to figure where to go with them.

Mr. YOUNG. When it was reported that we were going to have these great packers down at Fort Worth, my recollection is that we had six or eight million head of cattle in that State. It just occurred to me as a layman that it was one of the greatest things that could happen to a great productive section like that part of Texas to have these packers there in our midst, where they could buy these cattle and stop these long freight hauls. Then when they did come and I saw year by year the condition that I have just explained—shipping these cattle on to other markets—it has always raised the question in my mind why it was.

Mr. JAMES. We did not get enough packing houses there to consume our production. That is a reason a part of these cattle will have to go to other markets, and will continue to have to go until we get more packing houses in Texas to handle the production of the State.

Mr. YOUNG. That is all, Mr. James.

Mr. TINCHER. Do you understand what could cause a situation like this: For instance, in some of those western markets now they are shipping, I understand, sheep and hogs from Omaha to some of those plants, and still the price at Omaha is from 15 to 25 cents a hundred higher on that same animal than it is at those markets?

Mr. JAMES. I do not believe that condition could exist. I do not see why a packer would not kill the hogs and sheep right where he buys them if he is going to have to pay more for them there than he would on another market.

Mr. TINCHER. You are quite sure that does not exist?

Mr. JAMES. Not that difference in the price; not in that way; but I know that when the Fort Worth yards were first established they shipped hogs from the eastern markets to Fort Worth, and at the same time the Fort Worth market was higher than it was at the river, and they bought hogs in Fort Worth for a number of years at the river prices plus the freight. But to-day they do not do that, because we have raised a supply of hogs in Texas.

Mr. TINCHER. I am informed that very recently, perhaps now, they have been shipping stock of that kind from the other markets—say, from Omaha and other markets—to these packing plants, and they have maintained the price 15, 25, or 35 cents higher than the other markets. I may be misinformed about that.

Mr. JAMES. Do you mean that they have maintained a higher price at the point of destination than they paid for these hogs at the point of origin or where they bought them?

Mr. TINCHER. Let me give you an illustration. We will take Oklahoma City and Omaha. The Omaha hog market or sheep market is 25 to 35 cents a hundred higher than at Oklahoma City, but for some reason they are not getting enough at Oklahoma City. So they buy the live animals and ship them from Omaha, up on the higher market, and ship them down there to that low market. If they are doing that they are evidently discriminating against those markets, are they not?

Mr. JAMES. It might be construed in that way. If you have been watching the hog market for the past six months, you know it has gone up and down so fast you could not keep track of it. It fluctuates, of course, at different markets, on different days, and you would have a surplus of hogs in a market to-day and the market might drop 50 cents, which it has done on several occasions. They could buy those hogs on that lower market and consign them to some other market in order to keep their plants running.

Mr. TINCHER. Say they are buying hogs in Oklahoma City to-day at 14 cents, and in Omaha to-day at 14½ cents, and they buy hogs in Omaha and ship them to Oklahoma City?

Mr. JAMES. I can not see where it would be of any advantage to them to do that?

Mr. TINCHER. Well, it would keep the price down at Oklahoma City, would it not?

Mr. JAMES. The prices on hogs are more uniform than they are on cattle at the different markets. Of course, as I said, the price is regulated to a great extent by the supply at the different markets. If you have a surplus in one market, they will cut the price down, possibly, to the price plus the freight to another market.

Mr. TINCHER. That is all. I will find some of these other fellows that known more about that.

Mr. RAINEY. How long have you been in the cattle business, Mr. James?

Mr. JAMES. I have been in the cattle business myself for about 19 years. I was raised on a ranch.

Mr. RAINEY. And in the 19 years you have shipped and sold cattle; has there to your knowledge ever been any unfair or discriminatory practices exercised by the five large packers in your business?

Mr. JAMES. Well, not to my personal knowledge. They might have done it in years gone by, and possibly have. But it seems to me we have sufficient laws at the present time to regulate those things, without any additional laws to conflict with what we already have.

Mr. RAINEY. That is all.

Mr. YOUNG. Are you a native Texan, Mr. James?

Mr. JAMES. Yes; I was born on the Red River, north of Fort Worth.

Mr. MCLAUGHLIN of Nebraska. If it should develop beyond the question of a doubt, in the estimation of the committee, that there are not sufficient laws after the food control act is terminated to properly safeguard the producers, then you would be in favor of the enactment of such laws as would protect them, would you not?

Mr. JAMES. I am in favor of enacting such laws as would prohibit them from entering into any combinations to control the meat industry of the country, but I am not in favor of this commission. I can not believe, and I have never been able to see where a commission, and especially a politically appointed commission, could possibly regulate the packing industry and where it could be of any advantage to the producer or to the consumer.

Mr. YOUNG. How far is it from Dalhart to Amarillo, Tex.?

Mr. JAMES. Eighty miles.

Mr. YOUNG. We had a representative from Amarillo here.

Mr. JAMES. Yes; I missed him.

We do not all agree on these things. If we did you gentlemen would not be here in this committee room. I admit the cattle men are divided on this question, and possibly about equally divided. Some of them believe we should have this commission, like Mr. Stinnett, whom you spoke of, who came before you gentlemen to present his resolution that was adopted at Amarillo. That is why I am here, because that resolution was adopted at Amarillo. The people who were opposed to this bill asked me to come up here before this committee and protest against the passage of this bill.

Mr. YOUNG. We had a three years' drought in that cattle belt. I am curious to know whether those ranchers are all being restocked or have been restocked.

Mr. JAMES. A great many of them are, yes; they will all be in the course of time.

Mr. YOUNG. That is all.

The CHAIRMAN. What is your home in Texas?
Mr. JAMES. At Dalhart.
The CHAIRMAN. In the northwest part of the State?
Mr. JAMES. The northwestern corner of the State.
The CHAIRMAN. What is your rate to St. Louis?
Mr. JAMES. They changed the rates on us so fast that I can not ell you. We have 34½ plus the 25 per cent plus the war tax to Kansas City. I believe it is 42 to St. Louis; that is, plus the 25 per cent dvance. That is the old rate.
The CHAIRMAN. How much is it to Omaha?
Mr. JAMES. I have never shipped to Omaha, and do not know.
The CHAIRMAN. How about Chicago?
Mr. JAMES. I have never shipped to Chicago.
The CHAIRMAN. Are there any other questions?
Mr. MARSH. I should like to ask some, Mr. Chairman.
The CHAIRMAN. Very well.
Mr. MARSH. If I understood you, you are not speaking for an association?
Mr. JAMES. I am not representing any association; I am here personally and at the request of some of the principal ranchmen in our erritory, but not an association.
Mr. MARSH. Would you mind stating who the ranchmen were?
Mr. JAMES. Well, I could not give all the names. In fact, I do ot know that they would want their names made public. They did ay as much when they asked me to come here. I could name several f them.
Mr. MARSH. Of course I do not want to urge it.
Mr. JAMES. I do not know that they would have any objections. lowever, they did not instruct me to make their names public, and would not feel exactly like doing it.
Mr. YOUNG. Let me ask you this: Are they old-time citizens there?
Mr. JAMES. Yes; the principal ranchmen in that country, men who ave been in the business there for years. We believe and I believe hat every man that has come before this committee, whether he is in avor of this legislation or opposed to it, believes that the sooner we an get through with this agitation the better off the country will be. he cattlemen are a good deal like the stock market in New York; henever there is any radical legislation or agitation started they ecome panicky.
You might ask how this legislation could have any effect on the arket. Well, it does. Our people when this agitation starts beome panicky, and they begin to rush their stuff to market and cause surplus of cattle on the market at a time when the consumption ill not justify it, and it causes a slump in the market. If you have atched it for the past several years, every time there has been ny legislation proposed to govern the packing industry of the ountry you have seen a slump in the market following that agitaion, and you have seen a surplus of cattle go on the market. hat causes the feeder and ranchman to become panicky and to ant to dispose of his holdings for fear something is going to appen.
Mr. MCISAAC. It seems to be implied that the Government started his agitation. It was started by the cattlemen.

Mr. JAMES. Absolutely; I agree with you there. And I believe it was the greatest mistake they ever made.

Mr. MCISAAC. It was started after a slump that was not due to any agitation, was it—the 1915 slump? The agitation did not have anything to do with that?

Mr. JAMES. Of course, this bill that is here now had not been introduced.

Mr. MCISAAC. The whole movement to get a resolution for an investigation of the packers through Congress arose immediately following the 1915 slump, which was not based on any agitation of the kind you speak of.

Mr. JAMES. Yes; of course. That was for an investigation. I do not think it is any more than right that we should have these investigations——

Mr. MCISAAC. And having had the investigation, the only way of ending the agitation would be to have some legislation?

Mr. JAMES. Yes; we should end this agitation; there is no question about that. But whether this legislation is going to be what the producer or the consumer needs is a question in my mind; in fact, I do not think it is. I can not see where it could possibly be of any benefit to the producer or the consumer either.

Mr. MCISAAC. Are you familiar with the conditions at the Fort Worth market? Have you read the testimony at any of these hearings—the testimony of Mr. Armour or Mr. Swift?

Mr. JAMES. No; I have not. I have read some of the findings of the Trade Commission, but just through the press.

Mr. MCISAAC. Do you understand that Swift and Armour are on a 50–50 basis at the Fort Worth market?

Mr. JAMES. Well, you know that 50–50 basis—it is rather a broad assertion.

Mr. MCISAAC. I mean that there is actual understanding that each of them shall take half of the cattle there?

Mr. JAMES. But that does not mean that Mr. Swift's men will go out and buy these cattle and divide them with Mr Armour.

Mr. MCISAAC. Oh, no; but of the total amount by the week or month or year they take half each. That is not a healthy condition, is it?

Mr. JAMES. This "50–50" is rather misleading. If they have plants of equal capacity, naturally they would take practically 50–50 of these cattle. Now, when they start into a new territory, like Denver or Fort Worth, and build these packing plants, it is to the interest of the packing industry that they absorb as much of the supply that comes to that market as possible. They might carry on a 50–50 basis whereby it would be compulsory on each one of them—an obligation.

Mr. MCISAAC. Yes; up to plant capacity. But you say you have too many cattle in Texas to supply Fort Worth, so there is no scarcity there. Therefore when they have this 50–50 understanding there is not any incentive as between those two for one to pay a higher price than the other for your cattle, is there?

Mr. JAMES. That can be construed in two different ways. They might take an obligation that they would absorb half of the supply of cattle that would come onto that market. That supply might

be more than their killing capacity, but they are obligated to handle half of it, each of them, rather than that they are going to divide these cattle 50–50 among themselves after they are bought.

Mr. McIsaac. No; that is not the idea at all. They do not divide them after they are bought, but they each try to buy half of the cattle that come on that market. That is the Federal Trade Commission's statement, and Mr. Armour testified to the same thing in the House and Senate hearings.

Mr. Rainey. Mr. James, if you had cattle to sell, and there was an agreement between the packers; there are other buyers in the yards besides the packers, now could the packers dictate what price you would get for your cattle?

Mr. James. No; there are different buyers. There are speculators in every yard to buy these cattle. They keep in touch with all of the markets throughout the country and if the Fort Worth market gets out of line with Kansas City or St. Louis or Oklahoma City there are speculators there by the score to buy these cattle and send them to the other markets in competition with the packers.

Mr. McIsaac. The feeders?

Mr. James. No, sir; not feeders but killing cattle. Speculators buy killing cattle on the yard every day, and forward them to other yards. There are cattle that go from Kansas City to Oklahoma City and Fort Worth.

Mr. McIsaac. Do you understand that the five packers between them buy 82 per cent of the cattle sold at the 12 principal markets, so that there is not much of a market for the others?

Mr. James. They might buy 100 per cent of the killing cattle, but if I am a speculator on the Kansas City yards, and I see that the price at Oklahoma is 50 cents or $1 a hundred higher on certain cattle—and I am not talking about feeders now—but if I am a speculator, and I see they are higher—killing cattle—I will go out and buy those cattle and send them to Oklahoma City or Fort Worth and the packers will buy them on the higher market.

Mr. McIsaac. If the 50–50 plan is extended from Forth Worth and Denver to all the other markets, don't you think it would affect the whole proposition? In some of the markets it is 30–30 or 30–20–50, but suppose it were extended?

Mr. James. The figures vary, and are regulated by killing capacity. That does not exactly mean a combination, you understand.

Mr. McIsaac. I would like to say, Mr. James, that plant capacity was the original explanation of the packers of the 50–50 business. But they have abandoned that now, because it is shown that whether the flow of cattle into a market is high or low the percentage is the same; that there will not be enough cattle to half fill the capacity, and yet they divide the same way, although one or two of them could have taken the cattle for sale without troubling the capacity of the plant, and that capacity does not seem to cover the situation.

Mr. James. I do not want you gentlemen to understand that I am here to defend the packers. I am here to defend the producers. But as to the packers dividing 50–50 or 70–30, or in any other way—any other way that they might agree upon—I think that is adjusted by their ability to handle cattle. It would be very foolish, indeed, for one packer to go out on a light market and buy all the

cattle in the yards in order to keep his plant running in full capacity and let some other plant go idle for some days in the week. The next week some other packer might do the same thing. In event they were to do such a thing, don't you believe that would cause the price of beef to go higher? If a packing plant has to let its killing force lie idle several days, it seems to me that would naturally increase the cost of the product. I am not saying that this agreement does not affect prices, but I believe it is absolutely necessary amongst the packers.

Mr. McIsaac. You mean amongst the five?

Mr. James. Yes; or as many as there might be on the yards, and for that reason. There are times, possibly, when there would not be more than enough cattle to go on the market and keep a plant busy—one plant busy to full capacity. Suppose that plant were to go out on the yards and buy all the cattle on the market, and let the other plants go idle? Who is going to pay for the labor at the other plants? In order to keep the plant running every day in the week they must adjust their buying.

Mr. McIsaac. It is a sort of live and let live proposition?

Mr. James. Yes, sir.

Mr. McIsaac. And there is no competition, to that extent?

Mr. James. There is competition; yes. It would not be right, as I say, for one packer to go out and buy all the cattle in the yards for any one day or week.

Mr. McIsaac. You say that is the reason why these percentages run so evenly all through the year. If one packer wanted to go ahead and expand his business, he might try it?

Mr. James. Yes; and he might go broke, too.

Mr. McLaughlin of Michigan. One of these things we are trying to find out is whether there is competition in buying or whether prices are fixed by combination. Now, if this 50–50 plan of buying prevails, does it necessarily follow that there is an arrangement as to price, and that competition is eliminated?

Mr. James. Well, I do not think so. My experience is that there has been competition on all of the yards that I have shipped to, among the packers. Of course, as to this percentage basis, it does not only apply, as I understand it, to the number of cattle that they will take, it also applies to the number of cattle they must take if there are more cattle on the yards than their killing capacity is. If they are operating under a percentage basis it means that they shall buy these cattle and hold them over or forward them to some other plant where they can be handled if they can not be handled at that particular plant.

Mr. McLaughlin of Michigan. When the term fifty-fifty is used is it the idea that the committee shall understand that it includes the fixing of prices? Does it mean that the packers shall not compete or bid one against another; that there shall be no competition?

Mr. Rainey. What would be your answer to that question, Mr. McIsaac?

Mr. McIsaac. I would say certainly there is no incentive to bid against each other. The same as the illustration used the other day by Congressman Anderson, if a man had two sacks of potatoes and you wanted one sack and I wanted one, we would agree that we would

not bid against each other and raise the price of the potatoes, but would get them as cheaply as we could. It seems to me that is what you could expect in a case of that kind.

Mr. McLAUGHLIN of Michigan. I think that would be presumed, but is that the fact? One or the gentlemen says there has been competition.

Mr. JAMES. There is competition, without question. I do not believe you can get away from that fact. Any man who has had very much experience in shipping cattle to the various markets of the country knows there is no question about the competition, that it exists, not only among the packers but among the speculators, and also among the order buyers. I have no doubt about that myself.

Mr. ANDERSON. Have the packers ever stayed off the market in Fort Worth in the mornings?

Mr. JAMES. There are times when they have stayed off until late. Of course, they are always on the yards, but if there is a surplus of cattle they will buy them lower, the same as when we have an overproduction of corn, wheat, or anything else; the price always goes dawn.

Mr. ANDERSON. Do you think that the number of cattle on the market each day has any relation at all to the demand for beef in the country?

Mr. JAMES. Why, absolutely.

Mr. ANDERSON. Do you think that on a day when there is a large supply of cattle on the market that it has any effect at all upon the beef that we people eat?

Mr. JAMES. Well, not on that day but it affects the market.

Mr. ANDERSON. Yes; it affects the market?

Mr. JAMES. Yes; and if there are more cattle on the market than the packers can handle, why, naturally, they do not want to buy them and they were not going to buy them at as high a price as they would if they were short of cattle and their plants were not running to capacity.

Mr. ANDERSON. That is what I want to get. Is this price fixed by the number of cattle brought to the market in relation to the capacity of the plants at that market, or is it based on the relation of the demand for beef?

Mr. JAMES. Slight fluctuations from day to day are caused to a great extent by the number of cattle on the market on a given day. But the general average price—like to-day, we are selling cattle for $4 or $5 a hundred pounds less than we were selling them for a year ago. That is because we have not the demand for beef to-day that we had then, and beef is getting lower in the country. Wholesale prices of meats are equally as much lower to-day as compared with a year ago as our cattle on foot. But from day to day—and I understand that that is your question—fluctuations from day to day are caused to a great extent by the runs. But when you take these periods of depression in the markets and advances, why they are caused by supply and demand, which is the natural governor of prices for all commodities.

Mr. BORDERS. In regard to prices at the so-called fifty-fifty markets, let me explain: What are called fifty-fifty markets, as I understand, are ordinarily where there are two packers. That is a small market,

necessarily, perhaps out west near the producing centers. Take the one I know most about, at Oklahoma City, and we opened a plant there and stockyards in 1910, right between Wichita and Fort Worth, practically 200 miles distant from each place. It was a new market. There was very strong probability that we would have a pretty strong fight, which we did have, and even yet we have not enough live stock brought there to supply the plants. But answering your question more directly, and this answers it regardless of opinions or anything else: If the two buyers, say it is a fifty-fifty market, and it is usually called that because there are two there, take Oklahoma City, and if we did not maintain such a market there as would justify live-stock men to go there we would not get the stuff. They would go to Wichita or Fort Worth.

Mr. ANDERSON. Suppose you buy 50 per cent, and whoever is there with you must buy 50 per cent in order to make a market there, isn't that controlling the price?

Mr. BORDERS. No; absolutely not. But it is to the interest of the producer, and I defy any man to say to the contrary, that both those plants should be kept running. There are only two there; it is to the interest of the producers in that section that that little market shall be maintained. Two plants are all it will stand, and even a little more, because we buy 40,000 head of cattle at Fort Worth to slaughter there. We can not get enough cattle at Oklahoma City to slaughter there.

Mr. MCLAUGHLIN of Michigan. What I am trying to find out is that when this term fifty-fifty is used, if it should be established that there is any such plan, would it necessarily imply that there is no competition?

Mr. BORDERS. I tried to answer your question, that, in the first place, there is no such arrangement; and, in the second place, it certainly is demonstrated that it can not affect the price, otherwise the market at Oklahoma City would not exist. If we did not bid up so as to justify people in that vicinity giving their live stock to Oklahoma City, which is less than 200 miles from Wichita and Fort Worth, where there are more bidders, or to Kansas City and St. Louis, they would not ship them there. That is the case with all markets out at the sources of production, and that is why they dub them fifty-fifty markets.

Mr. ANDERSON. Those prices are all based on Chicago, aren't they?

Mr. BORDERS. Oh, I don't think so.

Mr. ANDERSON. You don't think so?

Mr. BORDERS. No, sir.

Mr. ANDERSON. If they are not based on Chicago, what are they based on?

Mr. BORDERS. On supply and demand.

Mr. ANDERSON. There must be some basis. I am not criticizing their being based on Chicago, but am trying to find out what they are based on.

Mr. BORDERS. It makes no difference to me what your motive may be; but I have answered your question.

Mr. ANDERSON. I don't think you have.

Mr. MCISAAC. You do not mean to imply that Oklahoma City market is the only market at which Morris & Co. buys?

Mr. BORDERS. Certainly not.

Mr. MCISAAC. Therefore Oklahoma City buys in competition with Morris & Co. at other markets.

Mr. BORDERS. They buy at Fort Worth.

Mr. MCISAAC. You are competing with your own company at the market at Oklahoma City, then?

Mr. BORDERS. I did not catch your question?

Mr. MCISAAC. Morris & Co. are buying on the 50–50 arrangement at Oklahoma City——

Mr. BORDERS (interposing). Oh, now, you are talking about 50–50. Cut that out of your question when you address it to me.

Mr. MCISAAC. All right; leave out the 50–50. You say you must bring prices up at Oklahoma City in order to compete with other markets?

Mr. BORDERS I say this——

Mr. MCISAAC (interposing). That is what you did say.

Mr. BORDERS. Let me answer, will you?

Mr. MCISAAC. Let us see if we can agree on——

Mr. BORDERS (interposing). Well, you talk until you get through, if you want to.

Mr. MCISAAC. You did say that in order to get business at Oklahoma City you must bring the prices up there, in order to attract cattle to that point; isn't that right?

Mr. BORDERS. Well, isn't that common sense?

Mr. MCISAAC. Absolutely. But in addition to that you are buying at other markets, so that so far as the Oklahoma City market is concerned you are bidding against your own interest in other markets, aren't you?

Mr. BORDERS. Well, if we are, the producer is getting the benefit of it.

Mr. MCISAAC. I grant you all that; but I am trying to find out if that is not a fact.

Mr. BORDERS. Well, then, why so much criticism of this so-called 50–50 market?

Mr. MCISAAC. That isn't it, but——

Mr. BORDERS (interposing). Well, there ought not to be, but there is.

Mr. TINCHER. I do not want to interrupt these gentlemen, but I will say that it is not fair for one of them to insist that all reference to "fifty-fifty markets" be cut out, then that one comes along and uses it himself.

Mr. BORDERS. I do not object to the fifty-fifty there, but Mr. McIsaac's question involved an admission, and the foundation of his question was that there was such an arrangement there. The question itself involved an agreement.

Mr. MCISAAC. Will you deny that Mr. Armour attempted any such arrangement at Denver and Fort Worth.

Mr. BORDERS. I have nothing to do with Mr. Armour. I think, as you know, that Armour and Morris are separate and distinct. I am not here to answer for Mr. Armour.

Mr. MCISAAC. They are distinct corporations, it is true, but they seem to be together.

Mr. BORDERS. They are not together. They are not only distinct corporations but are distinct in the conduct of business.

Mr. McIsaac. They seem to be working along the same plan of percentages. That is the reason for connecting them up, as far as the fifty-fifty per cent is concerned.

Mr. Borders. There is no more abuse of buying together among the packers than in any other basic industry of this country, and you know that?

Mr. McIsaac. I do not know that.

Mr. Borders. There is no more basis for a charge of buying together among the packers than in any other industry.

The Chairman. There is no intention to put anybody out of business, big or small, but the contention is that if you put an additional packer in with these two it would be to the benefit of the producers? Would it not make competition? Is it not fair to assume that it would?

Mr. Borders. I think at a place like Oklahoma City, and speaking of that because that has been spoken of, what would be the use of bringing in a third packer if we can not get enough raw material there now to run the plants that we have? How would a third man benefit that market?

The Chairman. I think that position is well taken, but if there is competition they probably would get a better price.

Mr. Tincher. Why can't you pay the Kansas City price at Oklahoma City?

Mr. Borders. I do not think you will find the competition there any better than it is at Oklahoma City. I think they will say the same as Mr. Thurmond——

Mr. Tincher. Well, I live only 130 miles from there, and I do not sell there because I can not sell fat cattle there. It is 300 miles to Kansas City, and why can not you pay the same price at Oklahoma City as you do at Kansas City?

Mr. Borders. We buy a lot of cattle at Kansas City and slaughter it at Oklahoma City.

Mr. Tincher. I know you do, and pay $1 a hundred more for them than you will pay for them at Oklahoma City.

Mr. Borders. We have to go up there and buy them to run our plants at Oklahoma City, that answers your question. What would we do with a third plant?

Mr. Tincher. That does not answer my question at all. Why don't you pay the market price for them at Oklahoma City?

Mr. Borders. Well, I think we do, as Mr. Thurmond said.

Mr. Tincher. Well, Mr. Thurmond may think so.

The Chairman. I take it there might be room for another one at Chicago or at Kansas City.

Mr. Borders. Possibly so.

The Chairman. Would it not increase competition?

Mr. Borders. There are two or three packing plants going up around now, one at Omaha and one out in your State.

The Chairman. That is the principal thing involved in this question, providing for competition, is it not?

Mr. Borders. Now, let me tell you about the matter of competition. There are practically 300 packers that are in active competition, I mean 300 interstate packers; and I think at the hearing before the Committee on Agriculture and Forestry of the Senate 12

or 14 came over from Baltimore on one day, and one said that he was building an addition of a million and a half dollars to the plant there. There are lots of new plants.

The CHAIRMAN. There are about 900 altogether under Federal inspection?

Mr. BORDERS. No; about 300.

The CHAIRMAN. Altogether?

Mr. BORDERS. I understand that you mean interstate inspection. I think there are 286.

The CHAIRMAN. There are more than that.

Mr. BORDERS. Oh, if you mean local slaughterers, there are 1,000 altogether.

The CHAIRMAN. There are 896, if I recall the number correctly.

Mr. MCISAAC. Which of these independents, if any, does as much as 1 per cent of the total business of the five big packers.

Mr. BORDERS. When you use the word "independent"——

Mr. MCISAAC. I mean the five great packers in Chicago.

Mr. BORDERS (continuing). They are all independent, as you know.

Mr. MCISAAC. That is not the question. Which one of these outside——

Mr. BORDERS (interposing). I want to get your question clear.

Mr. MCISAAC. Which one of them outside of the five packers does as much as 1 per cent of the combined business of the five packers? I want to give the committee an idea of the relative situation.

Mr. BORDERS. That is just the trouble. If this is a lawsuit, as Mr. Anderson suggested the other day when I was asking a question, let us understand: You start out and assume that the five packers should be considered as together, which is not a fact.

Mr. MCISAAC. I asked so the committee might get an idea of the relative situation. That is quite an important question, I think.

Mr. BORDERS. Why don't you compare 1 with 10 or 1 with 3, then?

Mr. MCISAAC. Because it appears that the 5 are more closely related to each other than these 286, which are spread all over the country.

Mr. BORDERS. Well, I do not think that is true. Take Cudahy, he has no plant at Chicago. He has one at Omaha, and has one at Wichita, where there is only one of the five large packers. He is there in competition with Dold.

Mr. MCISAAC. Cudahy has large offices in Chicago.

Mr. BORDERS. Yes; recently they have located offices in the Loop, so that the basis of your question in that regard is not correct.

Mr. MCISAAC. I do make the statement that the five large packers are more closely related than the 286 scattered all over the country. Is not that correct?

Mr. BORDERS. Oh, yes; but that is no sign of a combination, and there is none.

The CHAIRMAN. Why not call them the Big Five, and we will have no question about it. They are the largest.

Mr. BORDERS. Yes, sir. But take Kingan & Co., and they are coming along pretty fast, as well as others. I think their representative testified before the Committee on Interstate and Foreign Commerce of the Senate——

The CHAIRMAN (interposing). I suggested that because I thought it would be of less offense.

Mr. BORDERS. You take four or five packing companies outside of the five larger ones and they are doing quite a large business. When you get up to over $100,000,000 a year you are getting to a pretty good business.

The CHAIRMAN. Do they approximate that?

Mr. BORDERS. Yes, sir; I think Kingan & Co. did a business of $165,000,000 last year.

Mr. MCLAUGHLIN of Michigan. One question more and I will quit. The witness says he does not like these political commissions. I do not know what he means by "political commissions."

Mr. JAMES. An appointed commission is what I mean. This bill provides for a commission to be appointed by the President. Isn't that a political appointment?

Mr. MCLAUGHLIN of Michigan. Would there be Democrats and Republicans and Socialists appointed or might not there be?

Mr. JAMES. Well, there have been very few men appointed who have not been of the same party as the controlling party or the party of the President. The President usually selects a commission of his own political faith, or that is the custom of the country, I think.

Mr. RAINEY. The Chief Executive has been very much criticized for appointing a great many Republicans, I think.

Mr. ANDERSON. I would say "alleged Republicans."

Mr. MCLAUGHLIN of Michigan. I have heard something about Bolshevists, it seems to me, and quite recently, too.

Mr. MARSH. I understood you to say you did not care to state whom you are speaking for, and yet you state you are speaking for the producer.

Mr. JAMES. Well, I do not believe I made that statement exactly. I am speaking for myself. I say I came here at the request of several of our principal ranchmen.

Mr. MARCH. You said you were speaking for producers; it is in the record. It is a fact that the farmers of the country are almost a unit in asking for this commission and the licensing system, and I wanted Mr. James to explain a little more fully why he is opposed to this commission, aside from the reference he has made to the political complexion thereof.

Mr. JAMES. I believe I answered that question because I did not believe it would be possible to appoint a commission without going into the ranks of the packers themselves; that is, that it would be impossible to get competent men to govern the packing industries of this country otherwise. And I want to say that if you have to go into their ranks to get your commission you just as well let them go on like they are.

Mr. MARSH. Yes. In other words, you think there are none but packers who know how to conduct the business?

Mr. JAMES. Adsolutely. I do not think there is any other man in the country who is not interested in or connected with the packing industry who could properly manage and handle the packing industries of this country.

Mr. MARSH. How do you explain the growth of the farmers' cooperative packing plants and their desire to start their own packing plants, knowing that if they get this legislation they will have a show?

Mr. JAMES. Wouldn't it be a great deal easier to control a small packing plant than it would be to control the entire packing industry of a Nation of the size of this? Isn't it easier to manage and control a small industry of $500,000 capital than to control an industry of a capitalization of millions of dollars?

Mr. MARSH. Oh, unquestionably; but the question here is this: For instance, we have the Interstate Commerce Commission; would you abolish that commission and let the railroads run again as they please?

Mr. JAMES. The railroads and the national banks are as distinct from the packing industry as any two lines of business could possibly be. The packing industry is simply a commercial line of business, and I can not see any reason why we should have a commission to control the packing industry any more than we should have a commission to control all other industries of the country. If we are going to take the packing industry and put them under a commission, then let us take them all; let us put the whole thing under Government supervision now and be done with it.

Mr. MARSH. Then you will agree that you are not speaking for any producers, but your own opinion?

Mr. JAMES. It is my opinion.

Mr. MARSH. You are not representing any of these producers here?

Mr. JAMES. I am not representing any association; no.

Mr. MARSH. Or any producers?

Mr. JAMES. Well, you might put it that way if you prefer to do so. I have talked with a good many producers, some of the principal producers in our territory, and I find a very large per cent of them are opposed to this bill. As I have said once before, we are divided exactly as this committee is divided and our legislative bodies are usually divided. If we were all of one opinion we would not be here now.

Mr. MARSH. Isn't it a fact that the packers have been down often to the meetings of the Texas Live Stock Association and tried to prevent the passage of any resolution favoring control of the packers?

Mr. TINCHER. Oh, Mr. Chairman, I think this has been gone into pretty thoroughly by others who have examined this witness, and by other witnesses. While I do not want for one moment to throttle any proper investigation here, it does seem to me we are going into a lot of unnecessary details.

Mr. JAMES. I can answer that question.

Mr. TINCHER. I understand. But what is going to be the rule of this committee. How are we going to examine these witnesses? When are we going to get through if we are to take each witness and have one man and another examine him in this way?

The CHAIRMAN. I think the point is well taken. There should be no new matter injected into this discussion by you, Mr. Marsh, at the present. Your side has had an opportunity to present its case, and I do not think it fair for you to inject anything new now, outside of what has ben put into the hearing.

Mr. TINCHER. The packers have denied that they sent men to the stock men's conventions for the purpose of preventing them from passing resolutions or attempting to get legislation. If others want

to disprove that let them present their evidence later. These men did not go into that. If anyone wants to try to prove that they had done that, all right, but we will never finish these hearings unless we have some order of procedure and stick to it.

The CHAIRMAN. Was that alleged by any other witness appearing before the committee?

Mr. MARSH. That the packers have done this?

The CHAIRMAN. That they went to the live-stock meetings?

Mr. MARSH. Yes, sir.

Mr. MCLAUGHLIN of Michigan. Why not do so, if they want to? If they want to send representatives to these meetings for the purpose of presenting their side of the case and their argument I see nothing improper at all about it.

Mr. VEEDER. I suggest that as long as the question has been asked that the witness be permitted to answer it.

The CHAIRMAN. He may answer it.

Mr. JAMES. I want to say that I served on the executive committee of the Texas Cattle Raisers' Association a good many years, and the packers had representatives before us at different times, and discussed different subjects with us, and we were not always of one opinion, the same as is the case now. But there has never been any packer control of our meetings or conventions, and I am not here to-day at the instigation of the packers whatever. Of course, it was of years before that I am speaking, because I have not been a member of the executive committee for the past year. But we have had representatives before our committee several times.

Mr. RAINEY. Did you invite them frequently to your meetings?

Mr. JAMES. Yes. We invited their representatives to come before the committee.

Mr. BORDERS. Questions came up in which both the packers and the producers were interested?

Mr. JAMES. Yes, sir. Our interests are mutual.

Mr. MARSH. Are your interests mutual? That is, as a practical proposition do you mean to say that the interests of the packers and the producers are mutual? Do I understand that that is your viewpoint?

Mr. JAMES. Yes, sir.

Mr. MARSH. I think it is perfectly clear that they are not mutual. Is it to your interest for the packers to pay you the smallest amount for which they can get your live stock?

Mr. JAMES. We put our live stock upon the competitive market and get the best price we can for it.

Mr. MARSH. Do you mean to say that that is in the interest of the producer?

Mr. JAMES. I wish to say——

Mr. MARSH (interposing). Well, now——

The CHAIRMAN. Let the witness finish his answer, Mr. Marsh.

Mr. MARSH. All right.

Mr. MCLAUGHLIN of Michigan. Do you mean to say that those who have conflicting interests ought not to get together?

Mr. MARSH. That is not the point.

Mr. MCLAUGHLIN of Michigan. Well, I want to say that sitting here I am willing to hear anybody who wishes to come before the

committee. If any improper influence reaches me it is my fault and not the fault of the man who exerts the influence. I am here to hear what anybody who wishes to be heard may want to present to this committee, if it is germane to the bill.

Mr. MARSH. That is not involved in my question. The gentleman said the interests of the producers and the packers are mutual.

Mr. MCLAUGHLIN of Michigan. You took exception to the fact that some of the packers went down and appeared before the meeting of the Texas Cattle Raisers' Association. I say, why shouldn't they appear there?

Mr. MARSH. Naturally they would try to get hold of every live-stock association, and try to keep them from passing resolutions opposed to the packers' interests.

Mr. MCLAUGHLIN of Michigan. The men that I have seen come before this committee representing live-stock interests and live-stock associations do not look like very cheap men to me. The packers would have to make a pretty good showing to influence them, would be my opinion.

Mr. MARSH. Well, they had a pretty big influence.

The CHAIRMAN. You may proceed.

Mr. MARSH. Mr. James, may I ask have you any objections to the railroads owning the refrigerator cars and stockyards?

Mr. JAMES. It would only be according to the service that we as producers could get. Our experience in the past has been that we have never received service in the stockyards that the railroads own. The railroads own quite a good many yards, but not in the packing centers. In our feeding stations, where we are supposed to get service, our service is the poorest. These yards are usually not operated by the railroads but operated by lesses. In other words, a man goes in there and leases the yard. The yards are not operated by the railroads but by lesses, and I, as a producer, have got to put up with whatever service they feel inclined to give. Our service has never been as good in yards privately operated as in yards operated by the packers. That is a fact that I believe every cattleman who has had experience in shipping cattle over the country will verify.

Mr. MARSH. How do you explain then, that they have asked to have the railroads own the stockyards?

Mr. JAMES. Well, as I have said repeatedly before, we are of different opinions on these things. Some people have come here and asked that the railroads own them. I prefer the packers to own them, because my experience has been that we have had a great deal better service in the yards owned by the packers than in yards owned by the railroads.

Mr. MARSH. But the yards have not been operated by the railroads, as I understand, but they leased them out to private companies.

Mr. JAMES. Yes; and that would be the rule again, perhaps, if they took over these larger stockyards. They would probably lease those yards to operating companies.

Mr. MARSH. Not under the provisions of this bill and not under the suggestions we are making. Wouldn't it be to the interest of the the packers to try to discredit the operations of private companies, just as much as Wall Street tried to discredit the railroad operation when the railroads were in the hands of the Government?

Mr. JAMES. Well, that is a long drawn out matter, if we were to try to go into a discussion of that. I do not see why it would be to their advantage to want that, however.

Mr. MARSH. Would it not be to the advantage of the packers to try to have poorer service at the yards they do not control?

Mr. JAMES. I do not see how it would. The packers have to use those yards just the same as you and I. They have to have facilities there to handle cattle for themselves.

Mr. MARSH. But the packers want to make a better showing in the stockyards which they own, don't they?

Mr. JAMES. Yes; but if they are either prohibited from controlling or owning the stockyards why would they want poor service?

Mr. MARSH. I am not talking about the future but the past.

Mr. JAMES. The packers have nothing to do with the yards the railroads own. The railroads have stockyards in El Paso and Tucson and Amarillo and various other towns of that class. In such places there are stockyards owned by railroad companies but they are usually operated by lessees. We have what is called Southwestern Stockyards Co. that is leasing the stockyards owned by the railroad. We have there the poorest kind of service in those yards. But we have no recourse, can not help ourselves, and have to take whatever they give us.

Mr. MARSH. In other words, under private operation of stockyards instead of the railroads operating them they have been operated by private parties and you say the service has been unsatisfactory?

Mr. JAMES. Yes, sir.

Mr. MARSH. And it is admitted to be to the advantage of the packers to have the service in those private yards unsatisfactory?

Mr. JAMES. The packers have nothing more to do with those yards than you or I. It is impossible for them to control them.

Mr. MARSH. The packers have a great many ways of controlling things, but would not it be to the advantage of the packers to have poor service in such yards?

Mr. JAMES. No, sir.

Mr. MARSH. So that they could say that packer ownership is better?

Mr. JAMES. Oh, no; I do not think you get the situation exactly. Those yards are not open markets. While El Paso is in a way, a Morris has a yard there now, but before they put in a yard we had a yard that was to some extent an open market. Those yards are not in the class of the principal markets, but it is the service that I am complaining of. I was merely speaking of the service, and we have had that experience with privately owned and operated yards.

Mr. MARSH. Do you think that the packers should be deprived of ownership of stockyards?

Mr. JAMES. I can not see any reason for it, and do not see where there would be any advantage to the producer to have it done. I do not care personally who owns the stockyards, but if we get better service under packer ownership, then let the packer own them. I do not see where we have had any cause for complaint in the service we have had. It is true that we have had some complaints of overcharge and things of that kind, but we have laws to adjust that matter.

Mr. MARSH. Mr. Chairman, it is getting late, and I would like to ask several other questions, but do not want to detain the committee longer this evening.

The CHAIRMAN. We want to finish up with this witness this evening.

Mr. MARSH. You object to the railroads owning refrigerator cars, do you or not?

Mr. JAMES. No; I do not object to the railroads owning them if they will give the service. But there is where the "if" comes in. They have never done it in the past, and will they do it in the future? They do not furnish us stock cars when we want them, although they are supposed to do it. Gentlemen of the committee, we have hundreds of thousands of bushels of wheat on the ground now and we can not get cars to move it in, and it is the same way with all other grains. If they are going to handle refrigerator cars as they have been handling box cars and stock cars, I do not see how they will ever move the dressed meat after the packers get it ready for market. However, there might be a provision in the bill making them do it, and if it can be done all right.

Mr. MARSH. Of course, we are anxious to establish free competition and develop cooperative organizations. The point was made this morning by one witness about that. So you are satisfied to have the railroads own the refrigerator cars.

Mr. JAMES. If they will give service; yes.

Mr. MARSH. If they will give the same service?

Mr. JAMES. Yes, sir.

Mr. MARSH. But the packers with an enormous capital have a great advantage over the little man, who can not own refrigerator cars so well.

Mr. JAMES. All right.

Mr. MARSH. This private ownership of refrigerator cars helps the packers keep up their enormous monopoly?

Mr. JAMES. Yes; I think it is admitted as to that.

Mr. MARSH. It is admitted that the little man can not get the same service as the big man has on the matter of refrigerator cars.

Mr. JAMES. Well, the railroads should have some refrigerator cars and furnish them to these little packing men or to any others who want them.

Mr. MARSH. You ask, how can they do it?

Mr. JAMES. I said I would compel them to do it. We all know that this meat when the steer is killed must be moved, and unless the railroads can do it the packers must own cars.

Mr. MARSH. Would you indorse this provision of the bill, which will compel the railroads to acquire the refrigerator cars and have them all available to everybody on equal terms with the same equality of service?

Mr. JAMES. I believe they should have equality of service; yes. But there is a question as to whether they should take over the refrigerator cars of the packers now if they are to be compelled to build refrigerator cars. The railroads have not sufficient refrigerators to handle the business.

Mr. RAINEY. Mr. James, may I suggest for your information that the recently passed railroad bill provides that railroad companies have to build refrigerator cars?

Mr. JAMES. I understand that.

Mr. MARSH. May I correct you, Mr. Congressman, by stating that that is by implication only. Just why the specific words "refrigerator cars" were stricken out of that bill in conference I do not know, but they are not in there. I presume you refer to the conference report that passed the House and Senate. It is not in there. It refers to special types of equipment or special equipment cars, and the words "refrigerator cars" for some occult reason is not in that bill.

Mr. TINCHER. For some what kind of reason?

Mr. MARSH. Occult.

Mr. TINCHER. I believe I will take occasion at this time to make observation: I think these hearings, Mr. Chairman, should be carried on in an orderly manner. I believe it was decided first that the committee would not call upon the Congress to appropriate any money to employ counsel for the committee. We have heard everyone so far who has been here and offered to testify before the committee. And it is the purpose and intention, I think, to continue along that line. We invited early in these hearings the Federal Trade Commission to keep a representative here, because of the fact that it was openly announced that there would be a criticism of their report made by the packers. And I think it highly proper and orderly that the representative of the Federal Trade Commission should sit here and assist the committee, and I think it proper on occasions if the Federal Trade Commission is attacked in the giving of testimony, and the representative is more familiar with these findings of the commission and the reason therefor; that the members of the committee should permit him to ask questions. But there are lots of farm organizations, and some of them are not absolutely in accord with this legislation; as a general thing, they are somewhat in accord, but there have been five or six representative farm organizations who have had representatives here, and we have been very glad to have them, but they have not all agreed on the details. Tomorrow I shall insist that unless the members of the committee ask for assistance in the examination of witnesses who testify before the committee that we proceed in an orderly manner and conduct our own hearing.

Mr. MARSH. May I make a statement; I think if this rule had been observed from the opening of these hearings it would have been admirable, but why should the packers have been permitted constantly with a big staff and many of the best paid lawyers of the United States, to be here and cross-examine time after time and hour after hour the witnesses of producers and consumers and others of the country, and now, after being told on last Saturday, when Congressman Tincher was absent, in response to my specific request, that I could do just what the packers had done; why is this change to be made? Why should the packers get preferential treatment?

Mr. TINCHER. While I started this I do not want to make a controversy over it, but I think the matter should be made clear: In this hearing the witness now on the stand was cross-examined pretty effectively and thoroughly by the members of the committee, who brought out all of the information which he seems to have necessary

for our information in regard to the bill now being considered. Now, Mr. Marsh, you have spent an hour on him——

Mr. MARSH (interposing). I have not had 15 minutes. Mr. Borders came in and took up some of the time.

Mr. TINCHER. Well, it has been just about an hour since you took charge of the witness. Of course, others will come in sometimes when certain questions are asked or answered. I do not think you have brought out anything that is of any benefit to the committee. You understand that when a man comes here and says, "I am in favor of this legislation," or "I am opposed to this legislation," and states his general reasons we understand his viewpoint without going into the matter in detail. We also understand, Mr. Marsh, that you are in accord with this legislation, and I am in accord with many of your ideas. I am not in accord with all of your ideas, however, such as Government control of railroads, but along the line of the packing business I think you have some very good ideas, and we have had the benefit of them.

Mr. MARSH. You are going to have the full benefit of all the packers will tell you. And you have let the lawyers for the packers cross-examine the witness by the hour——

The CHAIRMAN (interposing). Oh, no; not by the hour, at all.

Mr. MARSH. Well, I mean taking it together.

Mr. TINCHER. The question is whether the committee is to continue the hearing and elicit the information or whether we will have representatives of organizations to do it. If you are to examine witnesses and ask every witness this line of questions, we should invite the heads of other organizations in to do the same thing, and doubtless there are others who would be glad to take just as much time as you are taking in asking this witness questions. With me it is a question of procedure and whether we will proceed in an orderly manner. I have some hopes that we may be able to finish this hearing in time to report out some legislation at this session of the Congress.

Mr. MARSH. I am sure I will not interfere with that.

The CHAIRMAN. The committee has not adopted an iron-clad rule in this matter. We have tried to get all the information we could. We have permitted gentlemen on both sides to interject questions now and then with the thought that they might bring out something of importance. I think a reasonable number of questions put in a proper way would not be objectionable to the committee, but we should not start up a debating society or indulge in an extended discussion or cross-examination in order to prolong the discussion. Any reasonable questions, I take it, would be agreeable to the committee. If you have any further questions that you wish to ask this witness we will be glad to have you proceed so that we can get through.

Mr. MARSH. I am through. I thank you very much for your courtesy. To-morrow I will ask permission to ask questions of other witnesses, with Mr. Tincher's approval.

The CHAIRMAN. I do not think you will have any trouble in doing that. The committee will now adjourn until to-morrow morning.

(Whereupon, at 5.55 o'clock p. m. the committee adjourned until to-morrow, Tuesday, March 9, 1920, at 10 o'clock a. m.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

TUESDAY, MARCH 9, 1920

PART 12

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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HENDERSON M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk.*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, March 9, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman), presiding.

The CHAIRMAN. Mr. Rainey, are you ready to proceed?

Mr. RAINEY. Yes, sir; I will ask Mr. Blackwell to proceed.

STATEMENT OF MR. J. S. BLACKWELL, MUSCATINE, IOWA.

The CHAIRMAN. Please give your name and address.

Mr. BLACKWELL. My name is J. S. Blackwell, and my address is Muscatine, Iowa.

The CHAIRMAN. You may proceed.

Mr. BLACKWELL. Mr. Chairman and gentlemen of the committee, I was here last September. I told Senator Kenyon that I believed when he got back home and got his ear to the ground and could hear what his people had to say against his bill that he would get off of it about as fast as he could. Since then Senator Kendrick and Senator Kenyon have been "passing the buck," as it were. I do not know just exactly what that means, but it looks as though they had something that they wanted to get rid of.

I am here through the kindness of our Congressman, Hon. Harry C. Hull, of the second congressional district of Iowa.

I represent a petition signed by 26 of the most influential producers and feeders in my locality, Muscatine County and vicinity, and I wish to read this petition and have it entered on the record.

(The petition referred to follows:)

To the Hon. GILBERT HAUGEN,
Chairman Committee on Agriculture, Washington, D. C.

We, the undersigned growers and producers of live stock, hereby protest against any so-called packer-regulation legislation, and are specifically against the Anderson bill.

Our representative, Mr. J. S. Blackwell, of Muscatine, Iowa, a large producer and shipper, will call on you and explain fully our views.

W. M. Riggs & Son, C. H. Will, Andrew Heeley, F. C. Vetter, J. J. Legler, D. A. Cochran, D. Legler, Ira H. Lee, Robert Lee, Noble & Kaufman, Blackwell Co., Muscatine, Iowa; Wm. Fletcher, Letts, Iowa; L. Elliott, Fruitland, Iowa; Letts & Turkington, Letts, Iowa; Roy J. Tooman, Lloyd Esmoil, Muscatine, Iowa; John R. Lee, Letts, Iowa; Geo. Tolfer, H. J. Feyennuth, W. E. Freyennuth, Muscatine, Iowa; C. D. Connell, Wilton Junction, Iowa; H. D. Lenoeke, Geo. F. Thede, Miller P. Petersen, Durant, Iowa; D. P. Kelley & Son, C. A. Raub, Fairport, Iowa.

This petition is signed by 26, as I said, of the largest and most influential producers and shippers of my community. The figures

that I have here aggregate a yearly production of fattened cattle of nearly 5,000—to be exact, 4,570. Of course, they produce and fatten and send to the market a great many more hogs than this number of cattle.

The CHAIRMAN. Are they mostly farmers?

Mr. BLACKWELL. Farmers, stock raisers, and feeders and producers of cattle. The petition shows their names and addresses—that is, their post-office addresses. I shall be glad to have you communicate with them in any way you wish.

The CHAIRMAN. I know that your section of the country is a great feeding section.

Mr. BLACKWELL. Yes, sir. We come from a very good portion of the country, the corn belt, as we call it. We raise a little corn and a good many hogs.

As I have said, we are against this bill; we are against all of these bills; we are against any further legislation against the packer from a producer's standpoint. We have lived a good many years. I first went to Chicago to help my father in 1877. That year we got $2.25 for the hogs and $4.35 for the cattle. The cattle weighed over 1,400 pounds, and the hogs something like 267 pounds average, if I remember. I have been going to Chicago more or less ever since. We fatten stock. I buy sometimes and ship. I am still living and still doing business. We feel that we have in the packers a wonderful machine to carry on our productive business, and we should dislike very much to have any of you gentlemen throw a monkey wrench into that machine at this time. We have had soaring prices for several years. We are up in the clouds. We have all got to get down to earth, and the producers stand ready to take our little loss, as it may be, or, let us say, as the case may be, and get down to earth, where we were before the war, as to prices.

This last year has been a phenomenal year. We are going to get through with very little loss. Some people have lost money. We can not all make money, no matter what we are at; we can not all make money. Under the circumstances we feel as though we have not any complaint to offer whatever. We are perfectly satisfied. I presume that the great reason for these bills and the complaints and agitation against the packer has come from the reports of the Federal Trade Commission. I know in an offhand way a few instances where, I think, these reports are not true. It is pretty hard to tell the real facts and come to a perfectly sound decision on a matter that you are not fully conversant with, that you do not fully understand. It has been a question in my mind whether all of the members of the Federal Trade Commission were practical men, capable men, to pass on some of those questions that came up in the reports of the Federal Trade Commission.

When I was here a year ago I remember quite well one instance—I can not give it to you exactly, though some of you will understand it—there was a case of some point in Michigan where it had been charged that the big packers had been discriminating against the local packing concern and had practically put it out of business. There was a witness on the stand from that very town in the meeting who seemed to me to be a practical, thorough cattle killer, a handler of packing-house products, and running a packing house, and he ex-

plained to the committee at that time quite clearly that the cause of this concern going out of business was not the fault of the big packers, but that it was the fault of bad management. This man who has charge of that plant, it was discovered and proved to be a fact, came from the cost department of some other big packing concern and had no practical experience as to what a critter or dressed animal was or the different qualities of meat. How could you expect a proposition to succeed under such management? That was one instance. There are many reports along that line where the big packer has put the little packer out of business. In my part of the country, especially Muscatine, we have a firm there called C. E. Richard & Sons. They have a packing plant about three years old and are running five retail meat markets there, making money, they told me, and they have written a letter that I have permission to read to you, in which they say that the packers have not made them any trouble whatever. I should like permission to read that letter.

Mr. ANDERSON. I suppose there are thousands of people in the United States for whom the packers have not made any trouble.

Mr. TINCHER. I do not suppose it would be any trouble to get all the declarations necessary for the record.

Mr. RAINEY. There is a question in the record about the packers putting small independent packers out of business. I think the Federal Trade Commission——

Mr. ANDERSON (interposing). Do they do an interstate business?

Mr. BLACKWELL. No; a State business.

Mr. RAINEY. The Federal Trade Commission report about 144 small independent packers went out of business.

Mr. ANDERSON. I venture to say that this outfit is not included in that number.

Mr. BLACKWELL. I should like to have permission to read this letter.

The CHAIRMAN. Certainly.

Mr. BLACKWELL (reading):

MUSCATINE, IOWA, *March 4, 1920.*

Hon. GILBERT HAUGEN,
Washington, D. C.

DEAR CONGRESSMAN: There has been so much agitation against the big packers for a long time, and as we have been in the packing business and have been retailing meat all our lives, we wish to express our views. We are against the so-called packer-regulation legislation, and are specifically against the Anderson bill. We think our business would be better off if there were not so much legislation against the big packers. We are operating a packing house in Muscatine and are conducting five retail meat markets in Muscatine and adjoining towns. We can truthfully say that the big packers have never caused us any unpleasant opposition, nor have they said anything detrimental to the quality of the meat we are handling. There has been considerable said in regard to the big packers running out the small killers, and we are at a loss to know how anyone can make this statement, for it certainly has not been our experience.

Our business is more or less unsettled on account of so much agitation, and we feel that the meat business will be in better shape if this legislation was discontinued.

Yours very truly,

C. E. RICHARD & SONS,
By E. D. RICHARD.

Mr. ANDERSON. This concern has been in business about three years?

Mr. BLACKWELL. The packing plant. They did more or less business, but they built up and established a packing plant at Muscatine, Iowa.

Mr. ANDERSON. They began their packing business since the so-called agitation about the big packers began?

Mr. BLACKWELL. Yes, sir. I think this agitation has been on for a long time.

Mr. ANDERSON. If this agitation was hurting business so badly and was bad for the packing business, is it not rather strange that these people should go into the business in the face of that agitation?

Mr. BLACKWELL. They are going on and putting up a large addition to their business.

Mr. RAINEY. Were they in the packing business previous to three years ago?

Mr. BLACKWELL. They were in the retail business.

Mr. RAINEY. They were?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. They are still in the retail business?

Mr. BLACKWELL. They run five meat markets and the packing house.

The CHAIRMAN. How extensive is their business?

Mr. BLACKWELL. Their plant cost at a time when it did not cost so much to build $100,000. I can not say just exactly how much business they do, but they do a good, big business. They supply several large towns with meat. They are killing every day.

The CHAIRMAN. Cattle?

Mr. BLACKWELL. Cattle and hogs. We have a packing concern at Davenport which has been in business a number of years and they are making money.

Mr. VOIGT. Where do the Muscatine people get their cattle and hogs?

Mr. BLACKWELL. Mostly from the country there, from the producers in the adjoining country. Sometimes these Richards go to Kansas City and ship carload lots to their plant. They have a buyer down there in the busy season who buys for them.

Mr. VOIGT. In other words, they get the bulk of their cattle and hogs from the stockyards?

Mr. BLACKWELL. No; they do not get their hogs from the stockyards; they get the bulk of their cattle from the stockyards.

There is a big plant that started up last year in Dubuque, Iowa. I understand they are doing a prosperous business at the present time. I can tell you that the Muscatine packing houses do not fear the big packers.

Mr. ANDERSON. You will admit that they may have done pretty good the last three years since this agitation began?

Mr. BLACKWELL. It strikes me they have been doing pretty good all the time. There is prosperity out in Iowa.

Mr. TINCHER. They might get empty packing houses and move their business; get some abandoned packing plant?

Mr. BLACKWELL. You might do that in most any kind of business.

I am very much in favor of the packers retaining their refrigerator cars. I do not think that you can do a very big business without having your own cars. I do not know of a better illustration along that line than we had at Fort Dodge, Senator Kenyon's

town. They started quite a packing plant there. They got to the point where they ordered a lot of refrigerator cars from the railroad company and could not get them. They were pretty strong financially, so they built some cars of their own, and then they got along better. They finally went out of business on account of poor management and dissatisfaction among their own stockholders; it was no fault of the big packers whatever.

The CHAIRMAN. Do the Muscatine and Davenport packers own their own cars?

Mr. BLACKWELL. No; not one does enough for that. We have a packing plant in Ottumwa, Iowa—the Morrill Packing Co. That company owns its own cars and does a fine business. I remember when they started with a very small plant.

Mr. ANDERSON. They do not kill anything except hogs?

Mr. BLACKWELL. They kill cattle every day.

Mr. ANDERSON. How many?

Mr. BLACKWELL. I should judge three carloads a day.

Mr. ANDERSON. About 60 cattle?

Mr. BLACKWELL. Yes, sir; possibly more. I am not in a position to say.

Mr. ANDERSON. Iowa is the second largest cattle State in the Union?

Mr. BLACKWELL. I do not know about that. We are the largest hog State.

Mr. ANDERSON. Iowa is the second largest cattle State in the Union, at least you were in 1910. If that is true, can you give any reason why Morrill is not butchering cattle to any greater extent than he is?

Mr. BLACKWELL. I do not know why he is not doing a bigger business in cattle. He may possibly do a bigger business than I thought. I know that they have a tremendously big plant. I think there was a time when they killed as many as 600 cattle a day.

Now, as to the treatment that the packers have given the producers: It seems to me that it is all right. As I said, this past year has been a strenuous year, and our land values have gone from $200 an acre in the last two years to $700 per acre, real farms selling for $700 an acre. They contracted to buy and sell more farms for the 1st of March, 1920, delivery, than in many years combined before. Previous to March 1 our local bankers let it be clearly known that they would not loan over $100 per acre on the land. The big insurance companies were just the same way. All during the war our local banks could borrow from the Federal banks all the money they wanted at 4½ per cent. They came out and gave the banks notice that they could loan money, but to understand that the rate to them, that is, to the banks, would be 6 per cent. What was the condition? It looked as though it might be serious when March 1 came. All of those farms changed hands on the 1st day of March; not one remained, to my knowledge.

I remember one case in particular where a man was to give a mortgage for a farm that he bought—a mortgage of $19,000. On the 1st of March he was ready to settle. He said to the seller: "If you have no objection, I want to reduce that $19,000 mortgage to $2,000." He said: "All right." That man sold the farm and went up to the

Muscatine State Bank and gave his order for $10,000 worth of Liberty bonds at 90 cents. In the face of the tightest money market, you might say, outside of a panic, with all those high-priced farms to be paid for on a single day, they were paid for. We produce more hogs than any State in the Union. The sale of butter, poultry, and eggs makes an awful lot of money. The packers buy all of this stuff. They certainly have been treating the producer pretty well or the producer could not have gone ahead and paid for this high-priced land without having any great assistance from the banks. From such standpoints as that, that is why we producers have not got any kick. If a man comes before you from Iowa or from any other agricultural State and makes complaint that the packers are not treating him right, he does not understand the situation. That is all there is to it.

We have the Corn Belt Producers' Association of Iowa. They are a pretty good bunch of men. They do not seem to be fair and complain. You have their statement. They went on record week before last at Des Moines, Iowa. They passed a motion or a resolution to recommend the Kendrick bill, and it goes on record as having passed unanimously. Now, let me tell you the real facts about that. That motion was put. Ten men said "aye," not one said "no," and it goes on record as carrying unanimously.

Mr. TINCHER. If 10 said "aye," and none said "no," what would be your definition?

Mr. BLACKWELL. That it carried, but is that fair? Does that represent the real facts in the case?

Mr. ANDERSON. It was unanimous.

Mr. BLACKWELL. I want to tell you——

Mr. TINCHER (interposing). You mean there were only 10 who voted?

Mr. BLACKWELL. Yes, sir; only 10 who said "aye." No one voted "no," and it goes on record as carrying unanimously.

Mr. ANDERSON. We have a great many similar experiences of our own in the House. Sometimes a motion is carried by 1 vote. We have 435 Members. We consider that unanimous.

Mr. BLACKWELL. That is all right to estimate it that way. You have that privilege, but under these circumstances when you say that a motion has been carried unanimously do you not know that it is not right; that is not the real sentiment? How could the producers know the fact which I have put before you this morning and be against the big packers when all the money they have has been made practically out of the packers? We are not a wheat-producing State.

Mr. TINCHER. You think all the money has been made out of the packers?

Mr. BLACKWELL. A great portion of this money is money that the packers paid for the food products. Am I wrong?

Mr. TINCHER. I think so.

Mr. BLACKWELL. I do not think so. In substance, that is where the money came from. If the packers had been treating them unjustly they would not have all of this money.

The CHAIRMAN. You seem to assume that everybody is opposed to the packers. I know of no such feeling, but there is some question as to whether there is open competition. Many contend that there

should be full and open competition. If you have studied the report of the Federal Trade Commission, you would find that a very serious charge as to open competition is made. I have been anxiously waiting for some explanation of this report. If the facts are as alleged in the report, it would seem that all of us could agree upon some law to take care of the situation.

Mr. RAINEY. You have shipped considerable cattle to the Chicago stockyards?

Mr. BLACKWELL. Yes, sir; I have shipped since 1877. A man who says that he does not understand the business is not fair to the packers.

Mr. RAINEY. You generally get more than one bid on your stock?

Mr. BLACKWELL. Yes, sir; sometimes three or four. Let me tell you a lot of times I have gotten only one bid, and I would be there and open the gate and let them go out and tell them to drive them out, that the price was enough.

Mr. RAINEY. Is your experience with the large packers in Chicago that they all bid the same price on the stocks?

Mr. BLACKWELL. No, sir.

Mr. RAINEY. You found considerable competition among the big packers in bidding?

Mr. BLACKWELL. Yes, sir.

Mr. RAINEY. And also by individuals?

Mr. BLACKWELL. Yes, sir.

Mr. RAINEY. And you received bids from speculators, traders, and commission men?

Mr. BLACKWELL. Yes, sir.

Mr. RAINEY. The treatment accorded you in the stockyards you feel has been eminently fair?

Mr. BLACKWELL. Yes, sir. These men who have signed this petition will back me up in this statement. It seems to me that all of this agitation is a great deal like Mr. Rockefeller had a few years ago, when they fined him $29,000,000. He is still selling oil, and a lot of other people are selling oil. They are all making money. Out in Iowa we are going ahead and are building a $3,000,000 packing house. We are not afraid of the big packers. The farmers think that we will hold up the price on the land, and maybe we will increase it a little, by the prices that we expect to get from the stock that we ship and sell to the big packers at the different markets.

Mr. TINCHER. You testified before the Senate committee some time last summer?

Mr. BLACKWELL. Yes, sir; the early part of September.

Mr. TINCHER. At that time you were opposed to any legislation that would regulate in any way the packers?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. And you still are?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. What would you think of just turning the whole proposition over to the packers and not bothering about it—you think they are benefactors?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. I understand that you consider them the sole benefactors of the producers of Iowa?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Without them the producer could not exist and that with them they could exist without anyone else?

Mr. RAINEY. Did you——

Mr. TINCHER (interposing). I am examining the witness.

Mr. RAINEY. I would not ask the witness such a question.

Mr. TINCHER. I want him to make his statement as full as he wants to.

You said that 26 men signed the petition?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. And they feed something like 5,000?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Do any of those men produce cattle?

Mr. BLACKWELL. You mean raise cattle?

Mr. TINCHER. Yes, sir.

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Do you know what it costs to raise a yearling steer?

Mr. BLACKWELL. I have never gone into that exactly; I generally buy my hogs and cattle and fatten them.

Mr. TINCHER. There would not be any excuse for going into the cost of raising one, your treatment from the packers was so good that it would not be necessary?

Mr. BLACKWELL. That is not my line of business, to raise the stuff.

Mr. TINCHER. So, you do not care what it costs. You spoke about the time when you went with your father to Chicago and sold cattle at 4 cents?

Mr. BLACKWELL. 4.35 cents.

Mr. TINCHER. Are you aware of the fact that at that time, with the grazing proposition, the production of that steer for a year would not cost one-tenth of what it would to-day?

Mr. BLACKWELL. Yes, sir. Our corn at that time cost us 27 cents, if I remember rightly.

Mr. TINCHER. Somebody has to produce the steer until it is a year old?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. And the man has got to live while he is producing it?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. At that time you had a free range there and about the only competition was buffalo meat; conditions have changed?

Mr. BLACKWELL. Yes, sir; conditions have changed.

Mr. TINCHER. Your Iowa land you testified before the Senate committee at that time was worth less than $50 an acre?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Now it is worth more than $500 an acre?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Or more than ten times as much?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Have you figured the income on the land that you have to pay the price for the cattle?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. You made the statement that you had no confidence in the report of the Federal Trade Commission, and I think you

said there were statements which were untrue. What specific portion of the report do you question the truth of?

Mr. BLACKWELL. Any small packer that they have put out of business.

Mr. TINCHER. If they have, you would not doubt it?

Mr. BLACKWELL. I do not believe they did.

Mr. TINCHER. Do you know whether there is a packing house at Amarillo, Tex., or not?

Mr. BLACKWELL. I do not know anything about Texas.

Mr. TINCHER. Do you know whether they had a fifty-fifty arrangement for the purchase of cattle at Fort Worth, Tex.?

Mr. BLACKWELL. I do not know.

Mr. TINCHER. Or at Wichita, Kans.?

Mr. BLACKWELL. No, sir.

Mr. TINCHER. Or Oklahoma City, Okla.?

Mr. BLACKWELL. No, sir.

Mr. TINCHER. Or whether they are to-day purchasing hogs at Omaha and shipping them to Oklahoma City and paying 50 cents above the price they are willing to pay for the local hogs?

Mr. BLACKWELL. I do not know about that.

Mr. TINCHER. Do you know whether that condition obtains at Fort Worth.

Mr. BLACKWELL. No, sir.

Mr. TINCHER. Would it make any difference in giving your estimate to this legislative committee as to whether that would warrant legislation?

Mr. BLAKWELL. It might.

Mr. TINCHER. Have you met any packer who buys at those places?

Mr. BLACKWELL. No, sir.

Mr. TINCHER. Do you know whether the packers have anything to do with the cottonseed oil mills in Texas?

Mr. BLACKWELL. Only what I heard here yesterday. I have seen something in the papers.

Mr. TINCHER. Would you know whether that would have any effect upon the cost of producing an animal, or not, if they did have control of the surplus cottonseed oil mills?

Mr. BLACKWELL. It might have something to do with the cost of the animal.

Mr. TINCHER. Do you know whether the men who produce these animals in the West in the large herds are prosperous, like you describe your condition in Iowa, or not?

Mr. BLACKWELL. Do I know whether they are prosperous or not?

Mr. TINCHER. Yes, sir.

Mr. BLACKWELL. I can not say now as to that. I understand that last year they lost a lot of money. That is not to be wondered at. It is not to be wondered at that the feeders lost money. We can not always make money, as I have said. I think that a ranchman or any man, no matter where he is located, loading up with calves after the war is over, with no war price, and no war—what would you expect?

Mr. TINCHER. I have in mind some feeders from your State whom I have talked to recently who did not lose any money this year, because they bought the cattle in Kansas City at from 6 to 7½ cents a pound, and were able to sell them in Chicago, after feeding them 90 to 100 days, at from $11 to $13 a hundred.

Have you ever figured, as a feeder, how much difference there should be in the price of a feeder and a fat steer per pound?

Mr. BLACKWELL. At $1.50 a bushel for our corn in Iowa we figure that we have about one month advance. For instance, if we pay 11 cents for that steer and feed that steer $1.50 corn three months, we should sell that steer to make money for 14 cents.

Mr. TINCHER. Do you know anything about whether a producer can produce that feeder for you and sell it to you in three months at $3 a hundred less than the price of the meat, whether he can live and do that or not?

Mr. BLACKWELL. I do not know exactly about that, but I understand that the ranchmen have made considerable money, except last year.

Mr. TINCHER. Do you know of a ranchman, as you term him, in the United States that is worth $1 to-day above the increase in the value of his real estate?

Mr. BLACKWELL. No; I am not posted about that. If we bought cattle at these war prices when there was no war, we should not expect to have very much money.

Mr. TINCHER. I am not talking about that. I want to get what you know about the facts in this matter, because here is a committee which is gathering from you and from other men all over the Nation the facts, because the law that we pass will be the law for the whole United States, and then we are supposed to act upon those facts.

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. You are entirely satisfied with the treatment you are receiving from the packers?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. But you are not satisfied with that branch of the Government known as the Federal Trade Commission; you think we should abolish it?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. And stop all investigation of the packers?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. And turn them loose entirely; that is your idea?

Mr. RAINEY. You are not speaking of the whole United States, you are stating what you know about Iowa?

Mr. BLACKWELL. I am speaking in regard to my home country, Iowa; I am not a western man.

I will say this, since the Amarillo business came up it has come to my mind that there is a little town near Amarillo called Clarendon, a little town not far from Amarillo, where the Letts boys, sons of Mr. Letts, went from Muscatine about six or seven years ago. They were in debt about $6,500. They paid off that debt and their mother and sister who visited in our locality last summer said that the boys were worth $300,000.

Mr. TINCHER. Let us let the Letts boys come here and tell that to the committee if they want to. The chances are you will find that the Letts boys bought some land.

Mr. BLACKWELL. They rented most of the land, just enough to have a place to work on.

Mr. TINCHER. At Clarendon?

Mr. BLACKWELL. Their range is about 40 miles from Clarendon.

Mr. TINCHER. Which way?

Mr. BLACKWELL. I do not know.

Mr. TINCHER. Senator Wadsworth's aunt, Miss Adair, owns 500,000 acres of land near Clarendon. Clarendon is a town of perhaps 1,500 people, with not any packing plant or anything, simply a railroad station.

All you know about the Letts boys is what somebody told you about them, that they were down there; you have not any word from them to represent them before the committee?

Mr. BLACKWELL. No; I have no authority to represent them.

Mr. TINCHER. You are in the lumber business?

Mr. BLACKWELL. I have been in the lumber business.

Mr. TINCHER. Do you not realize that the packers do consume the farmers' products?

Mr. BLACKWELL. Do what?

Mr. TINCHER. Consume the farmers' products.

Mr. BLACKWELL. I should hope that they consumed more than came from Iowa.

Mr. TINCHER. You look upon them as the ultimate consumers of the products?

Mr. BLACKWELL. As I understand, they are scattered all over the country and are buying the products wherever they are produced.

Mr. TINCHER. And any money they make out of the product that comes out before the consumer gets it?

Mr. BLACKWELL. Before the consumer gets it?

Mr. TINCHER. Yes, sir.

Mr. BLACKWELL. That might be.

Mr. TINCHER. Have you noticed their advertisements in the local county papers in your section during the last few months?

Mr. BLACKWELL. No, sir.

Mr. TINCHER. You have not noticed the advertisements of Swift & Co.?

Mr. BLACKWELL. I saw their advertisement in the Drovers' Journal, Chicago.

Mr. TINCHER. You had not noticed that in the local paper?

Mr. BLACKWELL. Not in the Muscatine paper.

Mr. TINCHER. I believe you stated that if Senator Kenyon came out to Iowa and got his ear grass-rooted, he would feel like you did toward the packers—in fact, did you mean to insinuate to this committee that Senator Kenyon is not favorable to the packer legislation?

Mr. BLACKWELL. I would not exactly say that, but my opinion is that he is not as strong as he was; that is my guess.

Mr. TINCHER. My understanding is that he voted to report out the bill that was reported out by the Senate committee. I do not think that it would be hardly fair to the Senator to say that he has changed his ideas toward the packing industry, unless you have had some conversation with him which would warrant you in saying that.

Mr. BLACKWELL. I know this, that the real producers from his State do not warrant his position in regard to these bills.

Mr. TINCHER. I take it you have been a friend of Senator Kenyon's and know his family?

Mr. BLACKWELL. I think my wife went to school with his wife. I do not know Senator Kenyon very well myself.

Mr. TINCHER. Do you not think that he gave some thought to the economic side of this legislation before he introduced the bill, that he had pretty general information as to the conditions in this country before he offered legislation of this kind?

Mr. BLACKWELL. It would be natural that he should.

Mr. TINCHER. Now, you say that we must not pay much attention to this unanimous resolution. Was there anything that prevented anyone who was present at the adoption of this resolution, which you spoke of, from voting "No," if they wanted to?

Mr. BLACKWELL. No, sir; there was not.

Mr. TINCHER. If there were only ten people, as you indicated, voting "Yes," even your 26 cattle raisers, if they had voted "No," could have defeated the resolution?

Mr. BLACKWELL. You do not know that bunch as I know them. That is run by Mr. Sykes and Mr. Wallace; they are the "whole cheese," and anything they want to put over they put over.

Mr. TINCHER. They have to have the votes to put it over?

Mr. BLACKWELL. That is what they did; they put the resolution over. In other words, the resolution should have been termed the "Wallace-Sykes" resolution.

Mr. TINCHER. Mr. Wallace runs the Wallace Farmer at Des Moines, Iowa?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. And the Secretary of Agriculture also runs a farmer paper?

Mr. BLACKWELL. I think so.

Mr. TINCHER. Both of those papers are favorable to packer legislation?

Mr. BLACKWELL. I think they are.

Mr. TINCHER. You think that the Secretary of Agriculture, Mr. Wallace, Senator Kenyon, Mr. Sykes, and Mr. Howard, of Iowa, are not in touch with the real public sentiment of Iowa?

Mr. BLACKWELL. They are not in real touch with the real producer's position in these matters.

Mr. TINCHER. You know Mr. Howard?

Mr. BLACKWELL. No, sir; I do not know him. I have seen him, but I am not personally acquainted with him. I understand that he is a very fine gentleman, and I am very sorry that he is president of the American Farm Bureau Federation.

Mr. TINCHER. You think that is a bad outfit?

Mr. BLACKWELL. Yes, sir. I could belong to the association, but I do not care to. I do not believe that we are to have the greatest panic that we have ever seen.

Mr. TINCHER. That is a farm organization?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. You think because they are attempting to organize to protect their rights that they are leading this country into a panic?

Mr. BLACKWELL. Yes, sir.

Mr. TINCHER. Why?

Mr. BLACKWELL. Their great hold is to establish a cost-plus plan. If you can send a lot of feeders down to Kansas City or Omaha.

harum-scarum fellows, without figures, without facts, and without reason, that is from a scientific standpoint. If we should go down there and buy feeders and bring them back home and ask the consumers to pay us the cost plus, where would we be?

Mr. TINCHER. You complain about a man like Mr. Sykes. Of course, you were here when he testified before this committee?

Mr. BLACKWELL. No, sir.

Mr. TINCHER. I wish you would read the hearing, his testimony; it would be a fair knowledge to the gentlemen that bring figures. That fact is that I have the same figures as you have.

Mr. BLACKWELL. Possibly that may be. I should like to tell you about his figures; I would like to follow them up.

Mr. TINCHER. The information is available. We will take your figures and compare them with their figures and see which one is correct.

Mr. BLACKWELL. Let me tell you something. There are different ways and methods of doing any kind of business. Our land has advanced from $50 to $700.

Mr. TINCHER. And you give the packers the credit for that?

Mr. BLACKWELL. You bet I do.

Mr. TINCHER. I see that you do.

Mr. BLACKWELL. With our corn worth $1.35, what we feeders have to go up against. We have to go up against an enlightened proposition of how to handle this feeding situation, and, gentlemen, in Iowa we are doing it with the exception of a very few, who are connected with this bunch of the Corn Belt Producers' Association, who are not handling it right. Did Mr. Sykes have very much to say to you about the way to put up a silo for feeding cattle?

Mr. TINCHER. I do not know whether he did or not. We are here to get information. Tell us about the way to put up a silo.

Mr. BLACKWELL. You can feed cattle and make plenty of money if you will go up to Ames, Iowa, and go to the agricultural school and get a few days schooling as to how to feed cattle in regard to silos.

Mr. TINCHER. Wait a minute. If you can go to Ames and find out how to feed cattle, that is one question; but would it make any difference what you paid for those cattle and what you sold them for and what you put in the silo and what you did not put in the silo, and what it cost——

Mr. BLACKWELL (interposing). That is to be reckoned.

Mr. TINCHER. What is the up-to-date method?

Mr. BLACKWELL. The up-to-date feeding of cattle—that is, in order to feed cattle according to the latest methods and try to make some money—I do not think that you have a silo——

Mr. TINCHER (interposing). Is there any later method for feeding cattle than feeding them a balanced ration?

Mr. BLACKWELL. That is pretty good.

Mr. TINCHER. Of course, that is a method?

Mr. BLACKWELL. Yes, sir; that is fine.

Mr. TINCHER. According to the up-to-date method, do you put the corn in the silo?

Mr. BLACKWELL. Yes, sir. The point I am making is like this: A great many of the dissatisfied bunch that belongs to the Corn Belt Producers' Association are feeding cattle by the old method, giving

them the corn, possibly a little something like cottonseed oil or a little linseed-oil meal, the old method. That was practiced 40 years ago when corn was worth 25 cents a bushel. Any man who comes to you and says he can feed corn to cattle nowadays like he did when it was worth 25 cents a bushel can not possibly make money. Of course, in the last two or three years, prior to the last year, we could make money on those cattle, by just taking them off the cars, not feeding them anything, and shipping them to market. We have had our lean years as well as our good years. Of course, it is better to come here and speak to you in this manner, but not when we are getting prices down to earth.

Mr. ANDERSON. You seem to be fearful of doing the packers an injustice?

Mr. BLACKWELL. I do not want to do anything to this wonderful machine that has made us prosperous so that we could buy our homes and get an opportunity to pay for them.

Mr. ANDERSON. You think if there is any trouble, it is with the producer and not with the packer?

Mr. BLACKWELL. It is not with the packers. It is the feeder's own fault if he has not made money, nine times out of ten.

Mr. ANDERSON. As to silo proposition, one of my friends suggests that a really up-to-date silo is one which has an attachment for the preservation of the by-product?

Mr. BLACKWELL. That must be a drink.

Mr. ANDERSON. I thought you would tumble to it.

I understand you to say that you and the gentlemen you represent are against further legislation against the packers. When you say "further legislation" what legislation do you have reference to?

Mr. BLACKWELL. Putting them under Government control.

Mr. ANDERSON. But you say, "further legislation" with reference to the packers?

Mr. BLACKWELL. I mean carrying that legislation, putting this legislation into effect.

Mr. ANDERSON. You do not think that there is any legislation on the statute books which is hurting the business any?

Mr. BLACKWELL. I do not know about that, but you are not going to stop, that is the worst of it. We would like to have you stop.

Mr. ANDERSON. We have not commenced yet. We have not passed any legislation since 1900.

Mr. BLACKWELL. I hope you never will.

Mr. ANDERSON. That is what I wanted to find out.

Mr. RAINEY. You feel there are sufficient laws now to punish the packers?

Mr. BLACKWELL. Yes, sir.

Mr. RAINEY. You are in favor of the packers and all others being punished when they do wrong?

Mr. BLACKWELL. Yes, sir.

Mr. ANDERSON. You do not think they do any wrong?

Mr. BLACKWELL. They have not done me any wrong.

Mr. ANDERSON. That is hardly an answer to my question.

Mr. BLACKWELL. What was your question?

Mr. ANDERSON. You do not think that they do any wrong?

Mr. BLACKWELL. I do not know.

Mr. ANDERSON. You do not know that they have done anything that is wrong?

Mr. BLACKWELL. I can not say that they have; no. That is a very big proposition for me to say.

Mr. ANDERSON. You think when the injunction of 1903 against the five large establishments was filed that they had not done anything which was in violation of the law?

Mr. BLACKWELL. I do not know about that.

Mr. ANDERSON. Have you read the report of the Federal Trade Commission?

Mr. BLACKWELL. Yes, sir; some.

Mr. ANDERSON. How much of it?

Mr. BLACKWELL. About putting the little packers out of business.

Mr. ANDERSON. That is the only part you have read?

Mr. BLACKWELL. Yes, sir; something that I would know something about.

Mr. ANDERSON. You are not in the packing business?

Mr. BLACKWELL. No, sir.

Mr. ANDERSON. And you never have been?

Mr. BLACKWELL. No, sir.

Mr. ANDERSON. What is your business?

Mr. BLACKWELL. I am a cattle feeder and producer and farm and have been in the lumber business.

Mr. ANDERSON. A cattle producer; you buy calves?

Mr. BLACKWELL. No; I take them as cattle.

Mr. ANDERSON. You are a feeder, not a producer?

Mr. BLACKWELL. I am not a cattle raiser. I produce fat cattle.

Mr. ANDERSON. Do you know Mr. Hopley, of Atlantic, Iowa?

Mr. BLACKWELL. Very well.

Mr. ANDERSON. Is he considered one of the large operators?

Mr. BLACKWELL. Yes, sir; a pretty good operator; mostly in the horse business. He does not do very much in the cattle business.

Mr. ANDERSON. You say that he is not very much in the cattle business?

Mr. BLACKWELL. No, sir. They go over to Europe and buy a lot of thoroughbred horses.

Mr. ANDERSON. Are you as near right about that as you are about the rest of the things which you have testified to?

Mr. BLACKWELL. That is a difficult question to answer.

Mr. RAINEY. You speak from your own knowledge?

Mr. BLACKWELL. Yes, sir. I know the Hopleys very well, indeed, the old gentleman and his son. Besides that, I have spent the night out at their place of business, the night at their farm, and I was led to believe that the cattle business was a small consideration in their establishment as compared to the horse business.

Mr. ANDERSON. How does the cattle business compare with the hog business?

Mr. BLACKWELL. I have not talked with them lately about the hogs.

Mr. ANDERSON. I want to ask you this question: Did you see these gentlemen and get them to sign this petition?

Mr. BLACKWELL. I saw them and told them that I was coming to Washington to go before this committee, and I asked them if they wanted me to represent them, and they said "Yes."

Mr. ANDERSON. You talked with them about the bill?

Mr. BLACKWELL. Yes, sir.

Mr. ANDERSON. What did you tell them?

Mr. BLACKWELL. I asked them what they thought about it. Their views against the bill are worse than mine.

Mr. ANDERSON. Then they made a mistake in sending you; they should have come themselves.

Mr. BLACKWELL. It would have been a fine idea if they could have come.

Mr. ANDERSON. That is all.

Mr. BLACKWELL. We producers seriously object to this legislation when we are prosperous and making money; there is where the shoe pinches.

Mr. ANDERSON. You just said that you were not making money right now?

Mr. BLACKWELL. I have got five carloads of cattle in the yard that I am feeding, on which I am just about dead; but those cattle will make me money. If you have friends in the business you can tell them to buy for July, August, or September, and they will make plenty of money.

Mr. VOIGT. Did anyone refuse to sign the petition?

Mr. BLACKWELL. Not one. They were anxious to sign it. It is the gospel truth that they were more anxious to sign it than I was to continue, but when they signed it I knew that I had to go ahead.

Mr. VOIGT. You did not go into the cattle business very hastily after the close of the war?

Mr. BLACKWELL. No, sir; my judgment said to stay away.

Mr. VOIGT. On account of a fall in the price?

Mr. BLACKWELL. I thought that this year the consumption would not maintain the prices without any war. The feeders are like a lot of sheep; when one goes they all go. They used to just flood Chicago and the packers would buy every animal and would pay us the money and let us go home. It is a wonderful organization.

Mr. VOIGT. Are you interested in any bank?

Mr. BLACKWELL. Not now; I was.

Mr. VOIGT. You borrow heavily at times?

Mr. BLACKWELL. Yes, sir;

Mr. VOIGT. Where do you borrow?

Mr. BLACKWELL. Mostly of our home banks. I have borrowed a little from the Drovers' Cattle Loan Co., of Chicago, a branch of the Drovers' National Bank, on Halstead Street. The last I owed them came due on Monday, and I ordered my man to pay it. I do not owe them a cent.

Mr. VOIGT. Are you interested in any commission firm?

Mr. BLACKWELL. None whatever.

Mr. VOIGT. If you were satisfied that the packers had an implied understanding to control the cattle market, would you be in favor of them?

Mr. BLACKWELL. I do not catch your question.

Mr. VOIGT. If you were satisfied that there was an understanding among the five big packers to control the live-stock market by distributing a percentage of the purchases among themselves, would you favor that sort of an agreement?

Mr. BLACKWELL. I do not know. There is no such agreement.

Mr. VOIGT. I am asking you if you were satisfied such a thing existed would you favor it?

Mr. BLACKWELL. I think if there was such a thing in existence there are laws by which you could straighten them out. I believe there is open competition for everybody to go in these yards and buy.

Mr. VOIGT. My question is, If you were satisfied that such a thing did exist, would you be in favor of it?

Mr. BLACKWELL. I would investigate it.

Mr. VOIGT. If in your mind you were satisfied, after investigation, that it did exist, would you then be in favor of it?

Mr. BLACKWELL. I presume I would have to be in a case like that.

Mr. VOIGT. You would not attempt to have anything done to smash up the combination?

Mr. BLACKWELL. I do not think such a combination exists.

Mr. VOIGT. I am not asking you whether it exists; I am supposing that it does exist. I am asking you if you were satisfied, after full investigation, that it does exist whether you would favor it?

Mr. BLACKWELL. I would favor it to such an extent so as not to demoralize the business. If you think there is a combination existing, I can not see where it comes in. Our business does not indicate it.

Mr. VOIGT. I assume you believe in your own mind that there is no such combination?

Mr. BLACKWELL. Yes, sir.

Mr. VOIGT. I am just trying to get your viewpoint on this subject. If there was such a combination and you were satisfied of it, would you consider it for the best interests of the producers and consumers?

Mr. BLACKWELL. I do not know how that could work.

Mr. VOIGT. I did not ask you that question. I asked you whether you felt that it would be a good thing to let such a thing run on, if it existed.

Mr. BLACKWELL. If I was thoroughly convinced that it existed, I would do something in the matter.

Mr. VOIGT. Do you think that it is for the best interests of the people of the country that these packers should own the refrigerator cars?

Mr. BLACKWELL. I do.

Mr. VOIGT. Do you know what percentage of them they own?

Mr. BLACKWELL. No; I do not.

Mr. VOIGT. Have you any idea?

Mr. BLACKWELL. They own a good many; that is my idea, that they own a good many.

Mr. VOIGT. Would you be in favor of the packers owning all the refrigerator cars in this country?

Mr. BLACKWELL. No; I would not say that I would be in favor of their owning them all.

Mr. VOIGT. What percentage would you let them own?

Mr. BLACKWELL. I would let them own enough to handle the products of their business, without being hampered in any way.

Mr. VOIGT. Would you be in favor of letting them own the cattle cars of this country?

Mr. BLACKWELL. To ship their own cattle?

Mr. VOIGT. To ship the cattle they purchase?

Mr. BLACKWELL. Yes, sir.

Mr. VOIGT. Would you be in favor of permitting the automobile manufacturers of this country to own their own cars to transport automobiles?

Mr. BLACKWELL. Yes, sir; that would be a good idea.

Mr. VOIGT. Would you be in favor of letting large manufacturers who have special products to transport own their own cars?

Mr. BLACKWELL. If it was of benefit to the consumer.

Mr. VOIGT. Of course, I am not asking you whether it would be of benefit to the consumer or not. I am just asking you the question whether you would favor letting the manufacturer of any special product own his own cars to transport that product?

Mr. BLACKWELL. I would.

Mr. VOIGT. I think that is all.

Mr. ANDERSON. Mr. Wilson, have you any questions which you desire to ask?

Mr. WILSON. No; I think not.

Mr. RAINEY. Do you know of any understanding or collusion that exists among the so-called five packers?

Mr. BLACKWELL. No, sir; I do not.

Mr. RAINEY. If there was proof of an understanding in violation of law, you would favor having the Big Five prosecuted?

Mr. BLACKWELL. Yes, sir; I would.

Mr. RAINEY. Mr. Anderson seemed to take exception to your testimony. I do not believe that he meant to be discourteous by what he said.

Mr. BLACKWELL. No; Mr. Anderson and I can get along all right: you need not worry about that.

Mr. RAINEY. That is all.

Mr. ANDERSON. I want to ask you one more question as to having the packers prosecuted in case of violating the law. Are you in favor of the consent decree?

Mr. BLACKWELL. In favor of what?

Mr. ANDERSON. The consent decree that has been entered or is about to be entered.

Mr. BLACKWELL. As to divorcing them?

Mr. ANDERSON. Yes, sir.

Mr. BLACKWELL. I will tell you how I feel about that: I think that the divorcing of the grocery business, as I understand, from the packers is going to mean higher grocery prices to the consumers. It may be all right, but it will cost more money.

Mr. ANDERSON. You are not in favor of that decree?

Mr. BLACKWELL. No, sir.

Mr. RAINEY. That is all, Mr. Blackwell. I thank you very kindly.

Mr. WILSON. I would just like to make a statement. I have only heard a little of Mr. Blackwell's testimony, and I am very glad indeed to have a witness appear here who is not socialistically inclined—a good, substantial business man. I appreciate his testimony very much.

Mr. BLACKWELL. I wish to say I thank you for that compliment, and I will add this, that I do believe in big business.

Mr. WILSON. So do I.

Mr. BLACKWELL. And I admire a man by the name of Thomas E. Wilson, the head of Wilson & Co. packing concern. He is a man who can do things right square from the shoulder, open and aboveboard. He is the kind of a man we ought to have in this country. The bigger the business the better I like to see it.

Mr. RAINEY. I would next like to have Mr. Bowen, of Texas, make a statement.

STATEMENT OF MR. WILLIAM A. BOWEN, EDITOR AND OWNER FARMERS FIRESIDE BULLETIN, ARLINGTON, TEX.

Mr. ANDERSON. Please give your name, address, and state your business to the stenographer.

Mr. BOWEN. My name is William A. Bowen, Arlington, Tex.; editor and owner Farmers Fireside Bulletin, which is the official paper of the Farmers' Union of Texas, Louisiana, and Oklahoma.

Mr. VOIGT. Have you a copy of your paper with you?

Mr. BOWEN. No, sir; I have not. I might preface my statement by a very necessary predicate. I have constantly kept before me the specific work and policy for which I established my paper. I was connected with the Metropolitan Press of Chicago and St. Louis and of Texas. I have made a specialty of the farmers, the producers, the average small farmers' side of every economic and industrial question. I was reared on a farm. I have farming interests now, and have studied the relation of the farmer to the farm, and the farm in its relation to civilization, and I think I know that subject fairly well.

Now, specifically this kind of legislation I have consistently and persistently opposed on principles as applied to a republican representative form of Government. I have come in contact with men of large legislative experience, with some of our ablest men who become obsessed and wanted to "father" some special bill. The brainier a man is the more power of suggestion he has, the more apt is he to go down a blind alley, and the further he is going wrong. That is my observation without a variation on most special legislation.

For instance, Texas has a great landed interest of its own—the only State that has such an interest. Texas came in amongst the States, as you recall, of her own voluntary will, with the privilege of dividing into not exceeding five States if she wanted, and kept all of her own lands. She owns millions upon millions of acres. There was a great opportunity for our lawmakers. Every man's ambition was to get up a land bill that would settle the land questions in Texas, and each man would build anything around that idea to set up his data and standing as an author of a measure for legislation, just because they become obsessed with that idea. And much constructive legislation was sidetracked for these land bills, yet the land problem of Texas is still unsolved.

We have gotten up a lot of this socialistic legislation down in Texas. You gentlemen are probably aware that we made a big oil company pay a fine of $1,700,000, which was divided amongst the various witnesses and attorneys very largely; and they actually paraded that through Congress Avenue of the capital of the State

of Texas, and made of it a great holiday occasion there. The only real effect was to raise the price of oil, which the people paid—they paid this fine.

I opposed all legislation of that kind, and finally I was backed up by the daily papers showing that the people paid these fines and costs—that the witnesses and attorneys were the only ones who got any money out of it. The big oil company immediately raised the price of oil, which all the laws say is a legitimate charge against the cost of it; and the farmers, who now buy about 85 per cent of the kerosene oil used for illuminating purposes, and since over three-fourths of Texas is agricultural, they paid that bill over time and time again. You can see, therefore, why I opposed that sort of legislation absolutely from the point of facts and principles.

I would like to say right here that I learned some time since that my paper and its policy had been brought before another committee of Congress in hearings on this same subject. The commercial secretaries and business men's association down in Texas, it seems, was supported by different industries in Texas and out over the country for the purpose of carrying on an educational propaganda. Some of our very best men were at the head of that organization as president, officers, and boards of directors—leading men, without any question of smirch on them; and I was called in council to see how they could get that into the press, I having spent almost a lifetime on the press, and I made suggestions how to prepare their matter so it could get into the press generally in carrying on the propaganda, which, when it started, was one of the best and most useful I have ever known. I was secretary of the Chamber of Commerce of San Antonio for three years, and I am pretty familiar with that sort of work.

They brought me and my paper into this some months ago in this way: They stated that my paper was very influential among the farmers down in that country, and that my paper made a special policy of opposing all of this kind of legislation—forming commissions or bureaus for hampering and the control of business. I opposed any law providing commissions to control business, or any law going further than forbidding them committing a wrong, distinctly and palpably, and that, covering the latter, I believed we had laws to meet those situations; but otherwise, that we should turn business loose as long as it was giving the service and was an aid in upbuilding a constructive instead of destructive policy.

That was outlined to that committee, and the question was asked about sending money to the commercial secretaries association. They made my paper and its influence very prominent, but the question was asked with this insinuation, that I did not feel flattered over, and that was, Did the Farmers' Fireside Bulletin get any of this money to carry on this propaganda? The answer was right directly, and it is in the record, "No; none of it went there; they did not get any." That was true. I had opposed similar to this on principle.

Mr. ANDERSON. What money are you referring to?

Mr. BOWEN. Money for the support of the Commercial Secretaries and Business Men's Association, the organization I was telling you about that started on a propaganda of education in Texas's industrial and agricultural development.

That organization finally, through its operators, began a propaganda that I repudiated—refused to further publish one single line of it in my paper under any consideration whatever.

The fact is that while I fought that sort of legislation in my own State, or in other States where it was interstate, especially hampering packers (and I guess, as they said, I probably had some influence in getting public sentiment against it, especially amongst the farmers), I never even got any advertising from any of these parties, though it is legitimate and a perfectly right thing to do.

My advertising manager and myself solicited this advertising, as it is legitimate business, but I never got a line of advertising from Armour, Morris, Swift, or a single one of them until last year, when it seems that Swift & Co. enlarged their advertising plans, and I got a little advertising that has kept up at irregular intervals during the last few months.

I bring that in because the question was suggested that the Farmers' Fireside Bulletin was paid for its influence, and opponents of this legislation have been asked if the packers paid them, etc., and I want it shown that I never even got any advertising from them except recently, and that has been at irregular intervals, and is the same as many other papers are getting.

Now, specifically about the farmers and the packers. We suffered in 1865 to 1870 for lack of packer service. At the end of the Civil War my father died early and I did the buying of groceries and other supplies for the home. We went from the farm down to Galveston; my mother had several small children, and we had high prices to contend with. Incidentally, we never whimpered like stuck pigs, nor asked Congress nor the legislatures to give us help, and that condition existed not for a year, not for six months, but during 1866, 1867, 1868, 1869, 1870, and not until 1871 did it begin to let up. We paid 30 cents a pound for sugar, and it was not granulated at that; we paid 20 to 35 cents for pork and beef in proportion; $24 to $28 a barrel for flour; and $4 to $5 for a little kit of mackerel. The cheapest thing we got at all during these days was condensed milk, and the reason we got that reasonably was because Gail Borden, the inventor of condensed milk, lived in our town, and established a distributor there, so that condensed milk was the cheapest think we could get at that time.

I became intensely interested as I studied the question of the need of our farmers; because you must remember that the majority of our farmers were either killed or crippled during the Civil War, and they came back with an empty sleeve where they had had a stalwart arm, with little stock left or anything, and adapted and adjusted themselves as best they could to building up the agriculture down there. The information that I had gathered in connection with a good many interviews and visiting the stockyards and farmers while on the Chicago Press led me to believe that if we could form an alliance or cooperative connection between the farmers and the packing concerns that it ought to make our section of the country a very profitable live-stock producing country, because we had the soil and the climate. Our farmers raised cotton mostly and bought everything else.

In this connection I went through Wisconsin in a buggy with Gov. Hurd, with whom I was very closely connected. The trip extended

over three or four months, through the agricultural districts of Wisconsin, and I was amazed and struck by the fact that they raised their own feed and employed the silo method of feeding and that they could feed and raise better cattle and hogs and more of them than we could down in Texas or than we did down in Texas. So I went down there and advocated silos and so on and was laughed out of court. One of the assistant secretaries of agriculture of Texas, a very warm friend of mine and editor of a farm paper in Texas, helped laugh at me for recommending silos being used in the Southwest. They went on to say that scientifically it was not a correct method for our climate and that the contents would ferment, etc. Incidentally those men are now climbing over themselves to be recognized as the first advocates of silos for that country, and we now have about 10,000 or 15,000 silos in our State. So much for pioneer work.

I took up the matter of hog production with the packers and then I went to the farmers. I was visiting and addressing farmers in large numbers. I do not exaggerate when I say there are tens of thousands of farmers I met face to face in my State, and in Louisiana, in Arkansas some, and in Oklahoma. I wrote to the packers, and I said, "Our farmers ought to turn their attention to live stock. They have been obsessed with their cotton for 50 years, which they have sold at less than cost of production, and they are just beginning to find it out. We ought to have real farming. Many of our farmers do not know what that means; and I suggest if we can make the arrangement I will start a propaganda and I will meet the farmers face to face and put hogs and cattle on the farms, if we can make some kind of a plan by which they can pay for those animals a little later."

To my astonishment, the packers made this proposition: They said, "We will furnish the registered hogs, male or female, if the farmers will return them animal for animal and kind for kind out of the first brood they will raise, these to be subject to our order."

I considered that the right kind of a propaganda and the right kind of cooperation. So I stated to the farmers when I presented the matter to them, "Candidly, these packers are neither sinners above anybody else, nor are they righteous above anybody else. This is not a benevolent thing at all. They can not make concrete nor cement in their packing plants; they have got to have hogs to produce meat, and unless you raise it they will not have it, and it is a pure, straight, sensible, business proposition on their part. They can well afford to do it, and you certainly can not well afford to turn it down." Our farmers readily took to the plan.

Therefore, the farmers began to put in hogs down there. I found a large and ready response.

Frankly, when this agitation for legislation came along, this condition existed: We have got agitators down there. They do not all come to Washington. We have plenty of them down there looking for an opportunity. The agitator is usually a man who can not attract attention to himself by constructive ability and initiative. That fellow can not build himself up and attract attention, and he wants to find some kind of secondary or waste lumber to build a structure to stand upon, and agitation is his favorite ma-

terial and he "puts his ear to the grass roots" and he listens to the clamor. Now, frankly, I have not found unanimous response to that sort of propaganda and that kind of business proposition, excepting in the case of extreme Socialists; and, incidentally, I have noticed a very large number of those whose testimony I have read as testifying before these committees are rank Socialists—a very large number of them.

Mr. VOIGT. You mean by that that they are members of the socialistic parties?

Mr. BOWEN. They are like some of the other "57 varieties."

Mr. VOIGT. Do you mean that any of the men who have appeared here hold membership in the socialistic parties?

Mr. BOWEN. I call a "Socialist" any man who wants to depart from that generic fact that comes down from the Garden of Eden, human nature and its initiative, and its standing upon its own resources to work out its destiny where it has free action—those who want a government or somebody else to give it a finger to walk alone, like you do with your baby, let it take your finger and walk. A Socialist wants the government to do for it and divide up and whack up, and let somebody else take all the responsibility and do all planning for them.

Mr. VOIGT. You use the word "socialistic" in a very broad sense.

Mr. BOWEN. Yes; there are so many of them; if you do not speak broadly, you hardly get any of them.

Mr. VOIGT. I think you are doing these men who have testified before the committee an injustice.

Mr. BOWEN. I do not want to do that.

Mr. VOIGT. I do not think you ought to brand them as Socialists.

Mr. BOWEN. Brand who as Socialists?

Mr. VOIGT. You said a great many men who have testified before this committee.

Mr. BOWEN. I think that is true, and I will take their testimony as evidence. But I never imagined it was considered a slur to call a man a Socialist.

Mr. VOIGT. Would you mind pointing out the individuals?

Mr. BOWEN. I did not catalogue their names; I just took the testimony. Men impress me very little, as a rule. I take their words or acts.

Mr. VOIGT. Did any man testify in favor of this legislation whom you do not class as a "Socialist"?

Mr. BOWEN. Either that, or men who probably have a grievance; not all of them.

Mr. VOIGT. Signify which ones.

Mr. BOWEN. I do not want to do an injustice. I am speaking of the general trend of the testimony, not of isolated cases.

Mr. VOIGT. How many witnesses testified before this committee in favor of some sort of legislation would you class as "non-Socialists"?

Mr. BOWEN. I did not check them up, as I said. I do not check up a man especially, unless it attracts my attention by his persistence. Judge Cowan and Col. Ike T. Pryor, of my State, are not Socialists.

Mr. MCLAUGHLIN of Nebraska. Mr. Chairman, it seems to me if we are ever going to end these hearings that the witnesses ought to go ahead and give their direct testimony relative to this packing situa-

tion. I do not just like the idea of a witness attempting to discredit those who have testified on the other side. I am of an open mind in this matter.

The gentleman here this morning went ahead and tried to discredit a number of reputable men of his own State, and, frankly, I do not think that is going to get anybody anywhere. I do not think it will get anybody anywhere with this committee. I would much prefer that witnesses should go ahead and give their own testimony and let the other side alone who have already testified. There is no use attempting to discredit them in the eyes of this committee. They have been before the committee, and we can form our own estimate of them and their statements.

Mr. BOWEN. I am very glad Congressman Voigt called my attention to it, because my intention was not to pick out anybody, but just make reference to some of the testimony. I tried to make that plain by stating that I did not want to do anybody an injustice.

Mr. SYKES. I make the suggestion that the gentleman did not use the word "some"; he said "the majority."

Mr. BOWEN. I do not think I used the word "majority." In fact, I did not do so.

Mr. ANDERSON. What he said might be construed as a general indictment. I do not think you intended that?

Mr. BOWEN. Frankly, I will say that I had no such intention. My idea was this: That considerable of the testimony that has been called to my attention—I get a large number of public prints and the reports of hearings when published, and try to look them over, but I do not try to remember men's names, unless it is somebody outstanding, and I was simply referring to the fact that a large part of that was what can be classed as socialistic in tendency; that was what I was trying to convey the idea of. I regard all commissions or bureaus controlling business as purely socialistic.

I have no objection at all to a man being an honest socialist. I just do not want him to think I am a "hammerhead" because I do not accept his opinions, that is all. Let him be what he wants. It is a free country, and that is what I am for. That is what my forefathers stood for.

Mr. ANDERSON. Proceed in order.

Mr. BOWEN. When we came across that in that propaganda, and we tried to work through the organized farmers. We did do that. We needed more live-stock farmers. One of the difficulties we came in contact with along that same line, because it enters into our feeding proposition, was the cotton-seed question, and incidentally the farmers of the cotton-producing States need competition in the buying of their cotton seed probably more than any other one thing. I have no idea whether the packers own any, or how many of the cotton-seed mills, but I do know that those who have been heretofore running the cotton seed oil mills had never paid the farmers anything like a commensurate price until they got an open market and a free hand to sell outside of these men's territory. None of our commissions or antitrust laws in Texas helped farmers in this—they hampered them.

Mr. VOIGT. You do think there was some kind of a monopoly at one time in the cotton-seed business?

Mr. BOWEN. Yes, sir. The attorney general of the State came to me in my office and wanted to know if I could give him specific instances of this man's or that man's parceling out the territory. Of course, I could not; that was not my business; I am not a detective. But I told him we could only go on results, and let him run his apriori argument back—they are very good at that sometimes—and find out; the facts were what we were after. Texas farmers had no competition in cotton seed buying. Prices were very low.

Mr. VOIGT. You were in favor of breaking up that monopoly when you were quite certain it existed?

Mr. BOWEN. We were in favor of a free and open market and as many people getting into the oil-crushing business as possibly could get into it and run a mill, so as to have competition. We were in favor of that. We had ample laws to cover cases where a man did wrong. But we needed laws not to hamper if they wanted to go into the business and erecting more of these mills if they wanted to. Also, to permit farmers to have the widest and open markets.

The Farmers' Union of Northeast Texas, in 1908, took up this question of cotton seed. It came about largely through a man who had been a pretty successful business man, reared on a farm, and went into business and became the head of a wholesale house. He owned a considerable farming interest when he retired from business, was a members of the Farmers' Union, tried to sell several hundred bales of cotton and his cotton seed off his plantations, and met the usual bumper of having the price fixed on his cotton, his cotton seed, and everything else that he had to sell, and, of course, as a business man he objected.

Mr. VOIGT. Who did this price fixing?

Mr. BOWEN. The cottonseed men.

Mr. VOIGT. It was the business men of Texas who did that, not the packers.

Mr. BOWEN. Yes; the cottonseed-oil men—the cottonseed buyers.

I know these facts because I was a member of the organization, and he was the man who was elected chairman of that committee of the Northeast Texas District Farmers' Union, composed of about 26 counties in that part of Texas. He found out that the rate outside of Texas was $17 a ton on cotton seed, while cotton seed in Texas was only bringing at the most $12.50; it had been down to $7 and $8 a ton. He addressed himself as a business man to getting a reduction in freight rates so that the freight would not be more than the price of the cottonseed oil in Texas; and he got it reduced down to $4 a ton by going at it in the proper manner. That opened up competition and the price immediately jumped to $25 and $30 and $31 a ton. And, gentlemen, there was no difference in the market quotations in cotton seed from the $7, $8, or $9 to $30 and $31 a ton. This much for unhampered competition for farmers in selling.

As a business man, of course, he simply saw what he wanted was an open field and competition. He went to work on that. That organization has kept it up and cotton seed has never since been below $26 or $28 a ton from that day until this, excepting two months in 1902 it went from $14 to $15 down to $7, $8, and $9 a ton, and cotton seed still brings farmers in that section a higher price than elsewhere in Texas.

That is the organization through which we were working and that was the method and plan to have a free and open market.

Mr. VEEDER. May I ask you a question? What was the date of this last organization? How long ago was that that this combination that you speak of was broken up?

Mr. BOWEN. The freight rate was a thing——

Mr. VEEDER (interposing). You spoke of a combination which was apparently fixing prices for cotton seed.

Mr. BOWEN. It seemed like a combination; they simply would not buy.

Mr. VEEDER. You spoke of it being broken up?

Mr. BOWEN. Yes, sir.

Mr. VEEDER. How long ago was it broken up?

Mr. BOWEN. It began in 1908, and they got the freight rates reduced that year, and the next year—1908–9—and the farmers got together, through the Farmers' Union, and sent a delegation to look into it down to New Orleans, and to some cotton mills in Louisiana, and to the railroad people and presented their case and argued it as business men. And just as Mr. Stubbs did in regard to the grape and the raisin business in California, they did with the farmers there. The railroad men say Mr. Stubbs is the greatest traffic man they have ever known. I heard Mr. Stubbs discussing that one day, and he said when the railroads and the public encouraged and dealt with the farmers, to consider what it cost the farmer to produce and aid him to send his stuff to market on a rate that would move it and give him a profit, was the only thing to do to build up the country and to meet the demand for service. By the way, incidentally, Mr. Stubbs—talking about cars—said it was an impossibility for the Southern Pacific Railway to furnish refrigerator cars to the people who ought to have them and demanded them on his lines.

Mr. ANDERSON. What Mr. Stubbs do you refer to?

Mr. BOWEN. The late J. C. Stubbs, traffic director of the Southern Pacific lines. I do not think you will find anybody can top him as authority on freight matters. He said even they could not furnish refrigerator cars for the general public, if they were looking to his company for them. He is the man who told the farmers, when they were fighting the unreasonable rate on their products from California. When the farmers went to him, he asked, "What rate will move your raisins and give you the market against the world!" They told him, "We do not think we can stand over $1.75." And in 15 minutes Mr. Stubbs had given the order that $1.75 would be the rate. This prospered the raisin farmers and American control of the raisin trade.

Mr. RAINEY. Mr. Bowen, have you read the Gronna report?

Mr. BOWEN. Some of it.

Mr. RAINEY. Would you give us your idea about the Gronna report, the appointment of a commission and legislation with reference to the packers?

Mr. BOWEN. Under that commission plan?

Mr. RAINEY. Yes.

Mr. BOWEN. Frankly, our experience with commissions has not given us a brilliant conception of them.

Mr. RAINEY. Do you think the farmers of the States you speak of favor legislation and the appointment of a commission?

Mr. BOWEN. No, sir. Those with whom I have talked and discussed this frankly on both sides, do not favor it. They find the packers have treated them fairly and helped them to prosper.

Mr. ANDERSON. I would like to just get your idea squarely before the committee, if I can, Mr. Bowen. Is your position opposed to a commision solely, or is your position opposed to any legislation at all on this subject?

Mr. BOWEN. If limited to "any legislation" of course, that is a little broad. You mean any of the pending legislation? The idea of taking control and hampering? I have always opposed such. I got a different idea yesterday. We had a conference yesterday with the Attorney General—a pretty large delegation of farmers representing the real farmers. We had a long conference with him.

Mr. VOIGT. Who were the gentlemen in that conference, please?

Mr. BOWEN. Mr. A. H. Morgan, member of the executive committee of the Farmers' Union of Louisiana and member of the legislature down there, a practical farmer who farms, a successful one. We had Mr. T. C. Atkeson, the Washington representative of the Grange; we had Mr. Gray Silver, the Washington representative of the National Farm Bureaus Federation; Mr. E. A. Calvin, Washington representative of the Cotton States Marketing Board, and Mr. R. D. Bowen of Paris, Tex., who is director of agriculture of the Mississippi Valley Association, and myself. We had a conference with the Attorney General regarding the real aim and purpose and expected effect of this decree in consent.

We went into pretty near all the phases of it. Like all conferences face to face, we got more than a man can get in pulseless, cold type; and it was the unanimous verdict expressed by those gentlemen that they were perfectly satisfied to have that decree of consent put in operation, have it tried out; and were not in favor of any legislation along this line pending the results of the decree. Tersely, the Attorney General stated that what was agreed to between the Department of Justice and the packers was to make them "butchers," and that was agreed to; and that as all butchers, in addition to meats, handled poultry, eggs, butter, cheese, and so on, that was left with them because it carried out their purpose of having them butchers.

Mr. VOIGT. Did Mr. Atkeson express himself as being in favor of the decree?

Mr. BOWEN. They all did, to this extent: It was not a question—we did not take up the question of whether they were in favor of that decree, because that is entered, I think. The Attorney General was even asked this by one of the farmers, in reference to dealing with them as public utilities, "What will be the attitude with reference to the books and method of bookkeeping and the carrying on of the business of the packers' bill?" Attorney General Palmer answered that the Government can go in and look at the books at any time and get an inside view and see all that the packers are doing and how and why.

Mr. ANDERSON. Suppose they look at them and find that the decree is not being carried out, what are they going to do about it?

Mr. BOWEN. He said, specifically, that any man in this country—not only an association or organization, but any individual that has a grievance and who presents the facts, that the United States courts and the Department of Justice are absolutely open under that, and that is one of the purposes of the decree, to furnish that machinery.

Mr. ANDERSON. Then, I take it, you are opposed to having the industry regulated by a commission, but you think it is proper to have the industry regulated by the Attorney General?

Mr. BOWEN. As I said, that question was not up, because it is too late, the decree having been entered—whether we would or not, the decree has been entered, I think. That is like when we entered the war. When we entered the war, of course, every single one of us had but one object and that was to lick everyone who was opposing Uncle Sam and lick him good and hard. So all questions as to whether we ought to go into it we regarded as a closed incident. The only question then was, would it meet the demands in trying out and seeing where the remedy could be applied, if a remedy were needed?

Mr. ANDERSON. Remedy for what?

Mr. BOWEN. The public outcry generally that something ought to be done, whether based on a fact or not, there was an outcry and there was some demand, of course, evidently.

Mr. ANDERSON. Then you do, evidently, think there ought to be a forum where complaints in reference to public markets and the conduct of the packers and others in those markets can be considered.

Mr. BOWEN. Frankly, I thought we had laws ample to cover that!

Mr. ANDERSON. The committee is looking for some help.

Mr. BOWEN. I understand the committee is looking for help, and I say, frankly, that I thought we had laws already to cover that. that a court could adjust it.

Mr. ANDERSON. Do you mean by that, that if you were overcharged for feed at a market you could go into court and recover back what you had overpaid.

Mr. BOWEN. I thought we had laws to cover that.

Mr. ANDERSON. Did you ever hear of anybody doing that?

Mr. BOWEN. No; but I know of a good many laws people do not take advantage of.

Mr. ANDERSON. We had the same right with reference to a railroad rate at one time, did we not?

Mr. BOWEN. I presume we did.

Mr. ANDERSON. Would you prefer to have the railroad rates left in that condition or prefer to have recourse to the Interstate Commerce Commission?

Mr. BOWEN. I answer that by suggesting that a railroad is a different creature—it has the right of eminent domain; it has not the right to fix any rates, and, of course, I never considered that in the light of any of these other concerns.

Mr. ANDERSON. You do not consider there is any aspect of a public utility in the stockyards?

Mr. BOWEN. You mean as to public utility—serving the public?

Mr. ANDERSON. Yes. I am trying to get your idea, whether you regarded the stockyard as a private enterprise or having the aspect of a public utility?

Mr. BOWEN. It may be they are a quasi public utility, but it never occurred to me that everybody performing a service to the public was a public utility.

Mr. ANDERSON. I am not saying that. I am speaking specifically of the stockyards.

Mr. BOWAN. To me it is a matter of degree and not of kind, and I should separate the degree from the kind.

Mr. ANDERSON. You do not think that the stockyards have the aspect of a public utility to a sufficient extent to justify regulation of rates and charges and practices with respect to them?

Mr. BOWEN. No, sir. So far as our experience and so far as the business has gone, I do not think they ought to be put in the same category as a railroad.

Mr. ANDERSON. I did not ask you anything about putting them in the same category as a railroad.

Mr. BOWEN. Well, " public utility "——

Mr. MCLAUGHLIN of Nebraska (interposing). It is now after 12 o'clock, and I suggest an adjournment for luncheon now, so that we can come back at the usual hour.

Mr. ANDERSON. Without objection, the committee will now take a recess until 2 o'clock.

(Thereupon, at 12.10 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

STATEMENT OF MR. WILLIAM A. BOWEN, OF ARLINGTON, TEX.—Resumed.

Mr. ANDERSON. Have you finished your statement, Mr. Bowen?

Mr. BOWEN. No, sir; I will just give you some terse facts and then will complete it.

As I intimated this morning, the conditions down our way are that the small farmer needs encouraging in live stock. Since the packers were established in Fort Worth they have enabled the farmers to have a good, profitable market for their live stock and have enabled them to pay off a good many mortgages and debts that they could not have done otherwise, and made many farmers prosperous.

We take the ground that the small farmers must be looked to for an adequate, continuous supply of meats and fats, and not the big ranchers. For instance, take Dane County, in Wisconsin; that is a good, average farming county, and there are about 10 just like it in that State, and in the last census they had 115,000 cattle. That is more than any county in the State of Texas has, even with the ranches and all, and some of them are ten and twenty times bigger than Dane County. El Paso County, an enormous county, had 104,000 cattle in that same census. Jackson County, one of the old, settled counties, in the lower farming section of Texas, had 108,000.

Nueces County, in which the great King ranch is, or a large part of it, had 94,000 at that same time; and each one of those 10 counties in Wisconsin, in addition to having more cattle than we have got in any county in the State, had a great many more hogs in each county than any county in Texas ever did have, and they raise their own farm products, feed, and so on, very largely, and general farm products in addition, whereas our ranch counties do not raise scarcely any feed at all in the counties for their stock. That is the condition we had down there, and we want to address ourselves to a change, to bring farming up to the average, because those figures plainly show that an adequate meat supply to the congested population must come from the small farmer, the average farmer.

Mr. TINCHER. How do those facts show that? True, while they have more live stock, for instance, in Wisconsin, the surplus live stock is still where the population does not exist. They really do not raise so much surplus stock as you raise in Texas.

Mr. BOWEN. How do you mean surplus stock?

Mr. TINCHER. I mean producing surplus meat for the congested centers where they do not produce any meat. You have given statistics showing the number of stock in those counties in Wisconsin.

Mr. BOWEN. Yes.

Mr. TINCHER. That does not represent surplus stock. That means each man has probably a sufficient amount of stock for his own use.

Mr. BOWEN. Turn that around now and just let two hundred and fifty odd counties of Texas get to be big average farming counties like those small counties to-day and let them average up general farming with the proportion of live stock they have there, and you will soon see where the surplus meat will be. Change that and let us go to doing that, and you will find out where your figures are climbing. You will find more surplus live stock per capita in Wisconsin than in Texas.

Mr. TINCHER. Then who will furnish the congested centers with meat, if you cut up the ranches?

Mr. BOWEN. The small farm is where they get it. I take it that there is more general food for people in 115,000 cattle in a very little county, than there is in a county 20 times bigger with 94,000 in it.

Mr. TINCHER. What is the population of that county?

Mr. BOWEN. El Paso County?

Mr. TINCHER. The county that has 115,000 cattle.

Mr. BOWEN. I did not get the exact figures on the population, but the county in Wisconsin has not as much population as El Paso County.

Mr. VOIGT. What county did you refer to in Wisconsin.

Mr. BOWEN. Dane County, or take Jefferson County, either. I compared Jefferson County in going over there and up to six years ago, this is an instance, in that county alone, there were more creameries than there were in the entire State of Texas—just in Jefferson County alone. Those facts appeal to us. We want to get in on that. The world needs it. We have looked into it enough and the farmers are getting these facts and that is why they are opposing this kind of legislation and opposing commissions that will make rules before breakfast so that a man will not know how to operate and will not know what he is up against in running his business and in calculating what he can do and how he can do it, and we rather want

the energies of mind, initiative, and force directed toward opening up and getting to the markets of the world. Norway, to-day, for instance, is furnishing an enormous amount of fats to Germany. England is selling Germany some of the very products that she is getting from us right along. If you will legislate to improve world markets for us, farmers will prosper. There are some English papers and Irish papers that I get. They suggest and they use this language, or one of them did, that America is about to strangle our packer business and that will be the time for England to get control of the meat supply and distribute it. That is the view they take.

Mr. ANDERSON. That is a newspaper statement?

Mr. BOWEN. Well, it comes from such authority as Sir Horace Plunkett. I get his paper, the Irish Homestead. They have discussed that in several pages for the last few issues and oppose any sort of regulation in England on the same ground for the farmers, specifically on live stock and its products, just on that ground exactly. With world markets opened to American farm products, we haven't hogs enough to supply fats to Germany and Austria alone.

I am opposed to price fixing on the same principle. That is why the farmers of the South opposed the fixing of a price on cotton, and they oppose fixing it on wheat or any product.

Now, to show that that is not just a mere opinion, our Government, in the stress of war, got what they thought were able men, and they did not get the ablest men in some lines, to deal with things they knew nothing about, and they made a stupendous blunder—they recognize that now—in making a contract to secure several hundred million dollars worth of cloth for the Government and specified specifically that it must be made of a certain grade of cotton, not lower than a certain grade, not below low middling, white. When, as a matter of fact, the grade of cotton is a thing that a man does or allows to be done to his cotton, and that can be removed. The spinable value in the staple of cotton is what nature did for it, and ordinary, or even low ordinary cotton, with those things removed from it. may have and frequently does have, a better staple, a better spinable value, a better fiber than a good middling bale of cotton has; and instead of making the contract based on cloth and its grade and the kind of goods required, they declared the kind of cotton. The result of that was hundreds of millions of dollars worth of low-grade cotton that could not be sold, and we have not recovered from that yet.

The American Cotton Association is an endeavor to permit the farmers to find a market for that low-grade cotton, and by cooperation to extend the necessary credit on the purchase of that cotton to Europe to find a market for it. It was a disastrous thing.

We fear, and we believe we have good grounds to fear from the past, the same sort of error in this legislation; honest, yes, but an error is no less disastrous because the man honestly believes in it—the same sort of error and disaster in crippling the average farmer through price fixing and commissions that will make rules to-day suddenly to govern a thing to-morrow that business can not adjust itself to and will have to finally readjust itself to and find out where it is.

Also, the farmers take the view that when they sell hogs or cattle at 15 cents or 13 cents, say, or at any price, the dressed carcass is sold, delivered to anybody who wants to buy dressed cattle at a fraction of a cent more only than the packer paid for the entire animal on the hoof, that they are getting a just price which supply and demand would give them, and also if there is any exorbitant prices beyond that, that neither the producer nor the packer has anything to do with it.

I have in mind now a very pertinent and terse fact gathered on that right in this town here by Mr. E. A. Calvin. I will just call your attention to it to emphasize that these are real facts bearing on that proposition.

Mr. ANDERSON. What are you referring to, Mr. Bowen?

Mr. BOWEN. This is Mr. Calvin's testimony before a subcommittee of the Committee on the District of Columbia, United States Senate, 66th Congress, on the high cost of living in the District of Columbia. The same thing prevails everywhere else on the same basis, and Mr. Calvin gave the specific cases in which he went to the open markets here, the retail markets, and bought these things, and in addition to a large number of other articles he went into the markets on meats, and he found that the retail man was getting more than the producer, the packer, the banks, transportation both ways, the raw animal to the packing house, and back as dressed carcass, and every other charge between the producer and the packer—the retail man was getting more than all these.

Mr. ANDERSON. That is a very interesting statement and I would like to know how he arrived at that conclusion.

Mr. BOWEN. He just went down here at the market and bought the stuff and got the wholesale——

Mr. ANDERSON (interposing). Of course, you know perfectly well, Mr. Bowen, without my suggesting it to you, that you can not take the price of beefsteak and compare it with the price of the carcass and arrive at any conclusion.

Mr. BOWEN. Mr. Calvin's statement, as he made it there in giving these figures——

Mr. ANDERSON (interposing). That is one thing upon which I agree with my friends here on the other side of this proposition.

Mr. RAINEY. Suppose you put that in the record, Mr. Bowen.

Mr. BOWEN. I am going to ask that that part of Mr. Calvin's testimony here as published by the committee of the Senate be put in.

Mr. ANDERSON. I have no objection to having it put in, but I want enough put in the record, if it is going in at all, so that we may know how he arrived at those conclusions.

Mr. BOWEN. Yes, sir; he has given them right here and has given the facts and I will put it in the record:

Senator CAPPER. May I ask how you think those prices compare at this time with prices heretofore, say, a year ago or two years ago, before the war?

Mr. CALVIN. I do not undertake to give the comparison, but I think they are higher; I am pretty sure they are, from the general trend of things.

Some days ago Mr. Ousley, Assistant Secretary of Agriculture, issued a statement showing the prices of dressed carcasses in Boston, New York, Philadelphia, Washington, Pittsburgh, and Chicago on March 1 and on July 1.

On March 1 the price in Boston was 23.5 cents per pound on dressed carcasses. On July 1 it was from 16 to 18 cents at the same place.

Senator SHEPPARD. That is the wholesale price?

Mr. CALVIN. That is the wholesale price; that is the dressed carcass, just the cow.

Senator CAPPER. That is the price at which Swift and Armour and the others sold it to the retailer?

Mr. CALVIN. Yes, sir; to the butchers and retailers.

In New York on March 1 the price was from 22 to 24.5 cents per pound. On July 1 it was from 15 to 19 cents per pound.

In Philadelphia the price on March 1 was 23 to 25 cents, and on July 1, 19 to 22 cents—a considerable drop, you will observe.

In Washington it was 22 to 26 cents on March 1, and 18 to 19 cents on July 1.

In Pittsburgh it was 22 to 25 cents on March 1, and 16 to 22 cents on July 1.

Chicago, 23 to 26 cents on March 1; 16 to 19 cents on July 1.

I will deal particularly with the Washington figure, because that seems to be the one we are mostly interested in.

On July 1 the price of meat in Washington, by the carcass, ran from 18 to 19 cents, depending on the grade of the carcass.

This is the point I desire to bring out. As I stressed it at the beginning, I will try to show you the difference between the prices, you understand, so that you can arrive at some conclusion. Of course, it stands to reason that the producer got a great deal less than these delivered prices, because the packers' expense and profit, the railroad's expense and profit, the bank's expense and profit, and the agent's and buyer's profits, and all such, must of necessity be paid out of the price received from the retail merchants in Washington and elsewhere. Like tomatoes and cabbage and other things above mentioned, I have been buying meat every day or two, when I felt able to do so. I want to say to you—and I believe that every one in the room will verify what I say—that I do not believe there has been a period of 10 days since the 1st of July last year, unless it be right now, that the average price of beef has been less than 40 cents a pound. It ran from 60 to 65 cents down as low as 25 cents, but the meat that you could get for 25 cents was scarce, and these cheaper cuts were only leaders, put out occasionally to attract attention. Even round steak, Mr. Chairman, the meat that we used to think, if we bought it, put us in the class with the liver buyer, has been running 45 cents a pound right along. In the market to-day—the city market—it was 45 cents a pound.

Chairman BALL. Has there been any decrease in the retail price of beef in Washington?

Mr. CALVIN. I will show you in just a minute.

Chairman BALL. Liver has run up to nearly a dollar, has it not?

Mr. CALVIN. Yes. I inquired some days ago why these cuts of meat that used to be very cheap—round steak, for instance—were higher now than many cuts that we used to call fancy cuts, and they said it was because there was a greater demand for them. It seems to me when people switch from one cut of meat to another, from a higher-priced cut to a cheaper-priced cut, that cheaper-priced cut immediately advances to the higher-priced position.

The point I want to make is that on July 1, 1919, the packers were delivering to the butchers in Washington and the retail meat dealers beef carcasses at 18 to 19 cents, according to the Government report. On that day I am positive that the average price of meat, taking the carcasses around, would not have averaged below 40 cents, and I believe any housewife in Washington will verify what I am saying.

Here is the point I want to make from the farmer's standpoint—and I represent the farmers exclusively—that I think it is unfair. Here is the farmer who owns his land. He has either got it paid for or he has not. If he has not, he is paying interest. If he has got it paid for, he is entitled to interest on his investment. He buys his cattle, invests his money, usually borrows money for that purpose; he raises his cattle and takes all the risk of raising them and bringing them to maturity; he feeds them and buys feed frequently to fatten them on. Then there comes along the local buyer and buys them, and he has got to have a small profit out of each animal. Then they are delivered to the railroad. The railroad has got to be paid for transporting them. They are turned over to the packers. The packers have to have their pay for converting them into meat. They are then put in cold storage for a month or two months or three months or four months, or perhaps a year, and then they are taken out and shipped—another charge that has to be paid.

Then they are delivered in Washington, for instance, we will say, to another cold-storage house, kept in storage for a few days until they can be trucked out to the buyers over the city. For all these services rendered up to this time, Mr. Chairman—farmers, buyers, railroads, banks, packers, cold storage, and all the butchers in Washington for merely cutting the meat and handing it over the counter to you and me gets more than all the balance combined. That is the proposition I want to bring out.

Chairman BALL. Over 100 per cent?

Mr. CALVIN. I believe you will find that to be an absolute fact, on investigation. I have looked as closely into it as I know how.

Mr. MILLER. He does not have to take any of the risks that they do.

Mr. CALVIN. He assumes no risks whatever, under the improved methods of handling meat. He has cold-storage facilities, and ice box in his own shop.

Senator CAPPER. That is a big argument in favor of cooperative marketing?

Mr. CALVIN. That is certainly correct, Senator Capper. I believe that if this committee will make a thorough and close investigation into this matter along this line, and go after it with ungloved hands, with a determination to get at the facts, you will get the facts. Whether you can apply a remedy or not is a different question. You may not be able to apply a remedy. Before I get through I hope to make a suggestion as to a remedy.

So much for meat, unless somebody wants to ask a question about it.

Mr. RAINEY. You may proceed, Mr. Bowen.

Mr. BOWEN. Specifically, we believe that the high cost of living is not to be looked for in these lines, but it comes very largely, if not mostly, from shorter hours and higher wages and strikes and so on. The problem of farm help is going to put the farmers to it to get every assistance that they can to enable them to raise the necessary food supply, a large part of which is live stock.

Mr. WILSON. Right there, can you tell us about the increase of farm hands down in your section of the country during the last year or two?

Mr. BOWEN. The increase?

Mr. WILSON. The increase in wages of farm hands.

Mr. BOWEN. Yes, sir; we have been getting farm hands there for the last few years up to the war period at a $1.25 or $1.50 a day, and the same ones are charging from $2.50 to $4.50 and $5, and a lot of them will not even work on the farm because so far they have found short hours, big pay, and city attractions more alluring. They formed a union, as the telegraph dispatches told us the other day down in Georgia of the farm laborers getting together for higher wages and working only eight hours, and they find it is more attractive in the towns and cities to work eight hours with two or three times more pay than they ever got on the farm, with its accompanying excitements, and so on, and pleasures, as they call them. Anyway, they choose it and like it better, and it is bringing the farm-labor problem to a very acute stage. The farmers are really gravely discussing it and discussing it thoroughly and are going to do the very best they can, and as much as they can, and put in as much as they can, but they do not see how they are going to raise much surplus. They are not discussing any let-up down there, especially among the organized farmers who get together and talk about these things in a business way and in an earnest way, or considering at all that they are just going to stop all this bother and raise just what they need themselves. They are not even discussing that, not in my section. I understand they are in some places.

Mr. ANDERSON. May I ask you a question there. If it disturbs you I will wait. I want to ask you if you have seen any evidence

of anything that indicates an overproduction of cattle, and whether in your opinion there is an overproduction of cattle.

Mr. BOWEN. No, sir.

Mr. WILSON. Can you tell, or are you competent to tell, the difference in the wages of the cowboys, as I presume you call them, or the ranch hands at the present time, and what it was prior to the war.

Mr. BOWEN. No, sir; only generally. The work of a cowboy or ranch man is a little different both in its inducements as well as in its work from almost anything else, and $40, or $50, or $60 a month has been about the round pay in that country, and most of them go into the business of working on a ranch with a view to becoming ranch men; a very large percentage of them do that, and that sometimes works to prevent the same change in pay as in other directions, but there has been some increase. Of course, in the last three years in Texas, a large part of the State was under that drought which was very disastrous to the cattle business and demoralized it over a very large area, and did away with a lot of those workers altogether, of course, because they had nothing to do and the ranchman's occupation was gone.

We find that our farmers are finding a ready market for their live stock since the packers were established in Fort Worth and they have just the same access with a little increased demand from the independent packers down there, and I went to some little pains to see to what extent the independent packers were interfered with, if any, because I had read and heard a great deal about how, if a man sold one man's goods he could not get those of another one in the same place or in the same town. The Armstrong Packing Co., of Dallas, is a pretty fair concern and is prosperous, and there is the other packing company there, Kahn, and both of them are flourishing and prosperous, and they have increased their capacity. The Houston Packing Co. is an independent company. I believe it is doubling, if not more than doubling, its plant now, and I find that in the towns—in my town, for instance, half way between Fort Worth and Dallas—and in other towns, quite a number of them which I visited, the retail men have the packing goods of all of those concerns in their shops selling them to their customers, just as they may prefer, without any interference whatever. Of course, I do not know to what extent that is true anywhere else. I just know that is a fact there, and the farmers have been convinced by the actual facts and the results that have come to them from the marketing of the live stock and the ready market for them, that the packers have been one of the greatest friends to them in that respect. As I said this morning, they have come to know that that was not any special benevolence but was simply common-sense business for them to do that in order to encourage the average farmer to raise more live stock.

They even went so far in that cooperative arrangement that I spoke of this morning of furnishing the farmers the hogs they needed, registered, first-class hogs, and allowing them to raise their broods and return them animal for animal and kind for kind, and to suggest that if the farmers would put up their own meat where they liked their home-cured meats, to first supply their own homes with ample meat and products to last them, and then sell the surplus on

the market. We took that as a pretty frank and straight way to encourage the farmers, and that is why the farmers in my section of the country have come to be convinced by the facts and the results that they do not want any hampering of the packers that might jeopardize that relation. It is a pure matter of business and common sense based on facts and results, and not on any sentiment whatever.

Now, from some things which I stated, they were not sure from the past just what a commission would do in a republican form of Goverment, where we are supposed to have laws made by intelligent men like you gentlemen who are sent here because the people believe you not only could but would do that.

Now, the Federal Trade Commission was down in our State specifically on agriculture, and I will tell you candidly that I have not found an intelligent farmer who does not hang his head with shame on account of the publication that came out of that work. They picked out a single man, for instance, up in northeast Texas, and this poor, unfortunate man, who had the wanderlust and changed every season, or two or three times a season if he could, and they paraded that man as a typical case, and that was published in the press dispatches, and I saw paper after paper in this country that published that, leaving the impression that that was the average condition of the tenant farmer in Texas.

Mr. WILSON. That was really a disgrace to the State, was it not?

Mr. BOWEN. Absolutely; it was humiliating, and I want to tell you that while we have a majority of tenants there, as the whole United States has, over home owners and farm owners, the great mass of them, the two hundred and odd thousand of them, resented the implication that that was a typical case and that that was the average condition of a farmer down in that country.

Mr. VOIGT. You say the Federal Trade Commission published that?

Mr. BOWEN. Yes, sir.

Mr. VOIGT. Can you point it out now? Is it contained in any publication?

Mr. BOWEN. It is in the first report they made down there in Texas. It was in Dallas, and they had that man there and paraded him.

Mr. WILSON. That was done at the Government's expense?

Mr. BOWEN. Yes, sir; I suppose so. He could not have paid his expenses. They had him and his seven or eight children there. That absolutely occurred down in Dallas, Tex., in just that way.

Mr. VOIGT. I wish you would point us specifically to that report.

Mr. BOWEN. I have not it at hand. It is in the report of the Trade Commission, I suppose, there in full. It was published in the papers.

Mr. VOIGT. When was this?

Mr. HOLMAN. I presume the report Mr. Bowden refers to is the report of the Commission on Industrial Relations. They held a meeting in Dallas, Tex. I was in charge of that particular investigation and you will find the facts in the reports of the Commission.

Mr. ANDERSON. The Commission on Industrial Relations?

Mr. BOWEN. I beg your pardon, it was the Industrial Relations. It was a Government board. As I said this morning I am more concerned about the facts and the source of these things than I am the mere individual. Those are typical cases.

Mr. ANDERSON. You think that is a typical case of Government regulation?

Mr. BOWEN. That we have had our attention called to, like making the contract for cotton goods of middling cotton, instead of first-class spinnable cotton, or first-class goods made out of spinnable cotton.

Mr. WILSON. Do you know what year that report was made?

Mr. BOWEN. 1915, was it not?

Mr. HOLMAN. The commission finished its report in 1915. Its investigation went from 1913, 1914, to 1915.

Mr. BOWEN. The late Mr. Wallace, the founder of the Wallace Farmer, was one of the members who came down there.

Mr. TINCHER. Why do you say "the late" Mr. Wallace?

Mr. BOWEN. I mean the old gentleman. I said the founder of the paper. He is dead.

Mr. HOLMAN. Perhaps Mr. Bowen is confusing the work of the Commission on Industrial Relations with the work of the Country Life Commission.

Mr. BOWEN. It was at that particular time that they brought this man down there, and it was a Government commission. I do not care anything about what they named it. It was a Government comission getting up Government reports to present facts to the people to remedy somebody's errors or to straighten up something.

Mr. WILSON. And it goes to show that incompetent men——

Mr. BOWEN. In that line.

Mr. WILSON (continuing). Will get into that kind of service.

Mr. BOWEN. Into those lines and not the line they are pursuing. That is what they are afraid of, and I think it is legitimate for the farmers to feel that way, based on the fact that human frailties will always be coupled with human nature.

Mr. ANDERSON. Have you finished your principal statement, Mr. Bowen?

Mr. BOWEN. Yes, sir.

Mr. VOIGT. Have you a railroad commission in Texas?

Mr. BOWEN. Yes, sir; I believe the whole business originated in our State. The late John H. Reagan was the father of it.

Mr. VOIGT. Do you think that commission does any good for the people?

Mr. BOWEN. Well, of course, that is a pretty broad question, if it has done any good, but I will say this, the opinion is pretty thoroughly divided about whether in the main they have been a benefit to all the people.

Mr. VOIGT. What is your idea about it?

Mr. BOWEN. As a whole?

Mr. VOIGT. Yes.

Mr. BOWEN. I think we would have been better off without it, if it had been done directly and specifically through the regular channels and the regular machinery of our Government. Railroads needed regulating but I believed our courts could do it.

Mr. VOIGT. What do you think about the Interstate Commerce Commission?

Mr. BOWEN. I suppose that is simply an enlargement of the same idea. Of course, I am not an expert on those matters.

Mr. VOIGT. No; I assume you are not, but I just want to get your general point of view. Do you think we ought to have such a thing as the Interstate Commerce Commission?

Mr. BOWEN. Frankly; no, sir; I do not.

Mr. VOIGT. Then, if it were in your power, you would abolish the commission.

Mr. BOWEN. If it was in my power? Oh, I don't know. That is making a man assume that he is wiser than everybody else.

Mr. VOIGT. You do not think it is a good thing and you think we had better not have it.

Mr. BOWEN. I think we could have something in a republican and representative form of government that would be more nearly in keeping with that kind of government, through its regular channels.

Mr. VOIGT. Well, you say we would be better off without the Interstate Commerce Commission.

Mr. BOWEN. Well, I meant on that ground, which I have just stated. I would not say just the way it is now and under the laws that have been left lapse or merge that it ought to be just swept out of the way; no, I would not make that statement.

Mr. MCLAUGHLIN of Nebraska. You think these commissions would be all right if they were all Republican.

Mr. BOWEN. I never considered partisanship in any manner, shape, or form. I am not hunting an office, never did hunt an office, and never expect to hunt an office, and therefore I never considered partisanship. I try to look a fact in the face, like this.

Mr. VOIGT. How would you fix railroad rates in this country if not through a commission like a State railroad commission or the Interstate Commerce Commission?

Mr. BOWEN. Well, I have never been in a position to be called upon and I never considered I should be called upon, and I can't say that I ever thought that I could just sit down and do that thing. At the same time, for instance, if you gentlemen had the power to confer the power on me, I would get the very best men who knew about rates, honest, straight men, and I think the average man is honest and straight in his dealings, whether he agrees with me or not, and I would get the very best men on that line, good, honest, reliable men, and get them together and confer.

Mr. VOIGT. Do you think you could pick out a better body of men than the Interstate Commerce Commission?

Mr. BOWEN. You mean experts on traffic?

Mr. VOIGT. Yes; the positions that they occupy.

Mr. BOWEN. I mean to make rates. That means experts on traffic.

Mr. WILSON. I can answer that question.

Mr. VOIGT. And I think it can be done mighty easily. These men have other duties to perform besides fixing rates.

Mr. BOWEN. You asked me about fixing rates and that is all you asked me about.

Mr. VOIGT. I asked you whether you could pick out a better body of men than the Interstate Commerce Commission to perform their duties.

Mr. BOWEN. I understood you to ask me about fixing rates and whether I could pick out a better body of men to fix rates, and I was answering that question.

Mr. VOIGT. Now, let me ask you this question. Do you think you could pick a better body of men for the Interstate Commerce Commission than we now have to perform the duties of that commission?

Mr. BOWEN. Oh, no; I would not presume to be able to do that; that is, to perform the duties of the commission. Of course, they have their laws and their duties, and so on; no, I would not assume to do that. There are plenty of people who would, I reckon, but I would not.

Mr. VOIGT. I understand the effect of your testimony is that you fear any interference with the business of the packers.

Mr. BOWEN. Or any other business that is dealing with the public.

Mr. VOIGT. Yes; because it may interfere with the free play of the laws of business.

Mr. BOWEN. Supply and demand.

Mr. VOIGT. And your viewpoint is that in every line of business there ought to be a free play of the natural economic laws?

Mr. BOWEN. Yes; with due regard to the others.

Mr. VOIGT. Now, if you were convinced that the packers are interfering with the free play of economic laws, would you then be in favor of taking some action to remedy the situation?

Mr. BOWEN. You mean if they were interfering to the extent that they were using their force and power which they have by the wonderful distribution and machinery they have for supplying the public demand and for rendering the service; that if they were using that power to go beyond that and do other people wrong and crush them out here and there, and harm there; is that what you mean, if they were doing that?

Mr. VOIGT. Well, I said just what I mean. I asked if you were convinced that the packers are engaged in practices which interfere with the free operation of economic laws, whether you would be in favor of taking steps to remedy the situation?

Mr. BOWEN. In other words, if I were convinced the packers were really doing wrong, would I want them to be remedied?

Mr. VOIGT. Well, you may put that question any way you want.

Mr. BOWEN. I think if any man is doing wrong and it is recognized as wrong, if there is any adequate law or machinery to right it, it ought to be righted.

Mr. VOIGT. Do you know of any improper business practices that the packers are engaged in?

Mr. BOWEN. No, sir.

Mr. VOIGT. Have you ever tried to find out?

Mr. BOWEN. Yes, sir; to a limited extent.

Mr. VOIGT. Have you read the report of the Federal Trade Commission?

Mr. BOWEN. I have read some of it.

Mr. VOIGT. How much of it?

Mr. BOWEN. Oh, I do not know. I have glanced through most of it.

Mr. VOIGT. Did you see anything there that looked to you like a violation of business ethics?

Mr. BOWEN. I saw that they had grouped facts and would get hold of something and present it, but it struck me, so far as I have been able to investigate those things, that they never pointed to a

specific thing that could be taken into court and established as a fact.

Mr. VOIGT. Well, if evidence were submitted to you that would convince you that the packers had an agreement to buy on a certain percentage, in a given market, would you approve of that?

Mr. BOWEN. Well, just merely that?

Mr. VOIGT. Yes; just that alone.

Mr. BOWEN. And to cut out all others so nobody could raise the price or get any different price; just combine?

Mr. VOIGT. No; suppose you were satisfied that a number of packers had an agreement that they would each take a given percentage of the available live stock in a given market—

Mr. BOWEN. And not take the whole supply, but just a certain part of it or they would proportion all the supply amongst themselves?

Mr. VOIGT. Well, take it either way.

Mr. BOWEN. And then just simply take it at what price?

Mr. VOIGT. Suppose there is an agreement, and let us take a case of five packers, and they agree that none of them will take to exceed 20 per cent of the available live stock in a given market.

Mr. BOWEN. But that all of them in the market would take the whole 100 per cent?

Mr. VOIGT. There would be no agreement as to whether they would take the 100 per cent or not, but each agrees that he will not take over 20 per cent. Would you consider that sort of an arrangement in the interest of the public?

Mr. BOWEN. Not per se. No, sir; I would not take it as detrimental to the public; no sir.

Mr. VOIGT. You can not see any harm in that to the public?

Mr. BOWEN. Not the way you state it, I do not.

Mr. VOIGT. You do not?

Mr. BOWEN. If they took all the live stock that was offered or that the demand would absorb, I do not see anything reprehensible in that.

Mr. VOIGT. Do you not see that if they would each agree not to take over 20 per cent, that they would limit competition in the purchase of that live stock?

Mr. BOWEN. That depends on whether they would say that nobody else could get any of it.

Mr. VOIGT. You can not see any danger in that sort of an agreement?

Mr. BOWEN. Well, now, I do not understand what you mean by "seing any danger in it."

Mr. VOIGT. I mean danger to the public interest.

Mr. BOWEN. You mean that they might or could use that harmfully?

Mr. VOIGT. Well, you spoke about an agreement that these cottonseed men had in Texas.

Mr. BOWEN. I did not say they had one, you understand. I said it just looked like they had one, judging by the results, or they felt like they had one.

Mr. VOIGT. But you were satisfied in your own mind from the results that there was such an agreement.

Mr. BOWEN. I was satisfied of that.

Mr. VOIGT. And you do not approve of that.

Mr. BOWEN. But we did not ask for a law to remedy that. We simply asked for a free rein and to sweep any kind of law or barrier or commission that was in the way out of the way, and to be able to get to the market, and when we did that the results came and there was an increase of 200 or 300 per cent in the price of cotton seed just as soon as we got that.

Mr. VOIGT. You did ask for some remedy?

Mr. BOWEN. Yes; just common-sense business.

Mr. VOIGT. By the State of Texas.

Mr. BOWEN. No, sir; they did not ask for any remedy by the State of Texas.

Mr. VOIGT. If a law could have been framed to break up that combination, you would have favored it.

Mr. BOWEN. Well, that question never came up, because we knew that following business lines there was a way out.

Mr. VOIGT. It makes no difference whether the question came up or not. If a law could have been enacted to remedy that situation, you would have been in favor of it?

Mr. BOWEN. Of course, you can put a hypothetical case so that a man is bound to answer that morally he is against anything that is wrong, but a hypothetical case does not mean a concrete case. Of course, I could answer that hypothetical case by saying "yes" right now, as a hypothetical case.

Mr. VOIGT. What is the circulation of your paper?

Mr. BOWEN. About 25,000 or 26,000. It was just established in 1912.

Mr. VOIGT. You say it is the official organ of the farmers of Texas.

Mr. BOWEN. Of the Farmers' Union of Texas, Louisiana, and Oklahoma.

Mr. VOIGT. How many farmers are represented by those three unions?

Mr. BOWEN. What is that?

Mr. VOIGT. What is the membership of those three unions?

Mr. BOWEN. I do not know.

Mr. VOIGT. What is the membership in Texas?

Mr. BOWEN. I do not know that. The farmers' union—you have asked the question——

Mr. VOIGT (interposing). Can you give us any approximate figures?

Mr. BOWEN. Well, it would only be guesswork. I have never tried to guess at it. The farmers' union is different from most farm organizations, inasmuch as its laws and its powers are not legally centered either in the national or the State body. The locals are the sources of all the power, and they delegate a few things to the State, and one of the laws they have made is that their books are open to any member who wants to know anything about the membership, if they are members, and just how many paid members they have, and they can go there and find it out from the books, but they are not divulging that.

Mr. VOIGT. I do not care anything about that.

Mr. BOWEN. I am telling you why I have never gone to look at the books and so on, and therefore I could not tell you how many members they have.

Mr. VOIGT. I was wondering whether you had taken sufficient interest to find out the membership of this union which you say your paper represents.

Mr. BOWEN. As I say, it would be just a guess on that account. I did not try to find out specifically.

Mr. VOIGT. Can you give us your best guess on the subject?

Mr. BOWEN. Well, I have never guessed.

Mr. VOIGT. Well, would you undertake it now?

Mr. BOWEN. I would not care to just for the reason I tell you. I am a member of the farmers' union and I would not care to do it.

Mr. WILSON. Mr. Chairman, I do not think it is right for a member of the committee to irritate a witness.

Mr. VOIGT. I am not irritating the witness.

Mr. ANDERSON. He is obviously evading the question.

Mr. WILSON. He says that he does not know and does not want to guess.

Mr. VOIGT. If he says he does not want to guess, that is the end of it, but I am not irritating him.

Mr. BOWEN. Will you permit me to put in why?

Mr. RAINEY. Yes; go ahead.

Mr. BOWEN. I tried to state it awhile ago, but it seemed to be overlooked. They say it must not be given out, and I am a member of the farmers' union.

Mr. VOIGT. They say the membership must not be given out?

Mr. BOWEN. Yes, sir.

Mr. VOIGT. Well, that is the first case of that kind I ever heard of.

Mr. ANDERSON. Most of them want to advertise it.

Mr. VOIGT. That is all.

Mr. SYKES. Mr. Chairman, may I ask the gentleman a question or two? Mr. Bowen, I believed you testified before luncheon in regard to a conference you were in with the Attorney General?

Mr. BOWEN. Yes, sir.

Mr. SYKES. Was J. R. Howard, president of the American Federation of Farm Bureaus, in that conference?

Mr. BOWEN. No, sir.

Mr. SYKES. He was not?

Mr. BOWEN. No, sir; Mr. Gray Silver was. He is the Washington representative.

Mr. SYKES. Yes; and did I understand you to say that you passed a resolution to the effect that you were opposed to any legislation for the control of the packers until after this law or this new agreement was tried out?

Mr. BOWEN. That who passed such a resolution?

Mr. SYKES. At your conference.

Mr. BOWEN. It did not.

Mr. SYKES. Just what did you say in regard to that?

Mr. BOWEN. I simply said that after a full and free and frank conference with the Attorney General about this decree in consent going into it and its scope, that it offered every field and every avenue and every opportunity and even invited anybody who had a

complaint to come in and that the books were open and everything to the authorities, the same as with a public utility, and on the same basis, that they got together, and it was the consensus of opinion that they agreed that that decree and consent met so far the demand and the sentiment of their respective organizations with reference to any control or supervision of the packers that they had been asking for.

Mr. SYKES. Did Mr. Silver join in that opinion?

Mr. BOWEN. That was my understanding. Mr. Silver did say that his folks had asked for a commission, and then when he went into this, about its being under a commission or on the same plan as a public utility. That was the expression he used.

Mr. SYKES. I was just going to ask you if you knew that at the time you were in conference with the Attorney General there was a committee of nine men before this committee—nine members of the executive board of the American Farm Bureau?

Mr. BOWEN. No, sir; I do not.

Mr. SYKES. With a representative, Mr. Leonard, to speak for them in behalf of legislation.

Mr. BOWEN. No, sir.

Mr. SYKES. For the control of the packers?

Mr. BOWEN. Certainly, I did not know that.

Mr. SYKES. Well, that is a fact.

Mr. BOWEN. Well, I do not know it. Of course, I was not here.

Mr. SYKES. And that committee, or Mr. Leonard, was deputized by Mr. Howard, the president of the American Farm Bureau Federation, to represent him before this committee.

Mr. BOWEN. Maybe so; I do not know.

Mr. SYKES. In behalf of this legislation.

Mr. BOWEN. Of course, I know nothing about that.

Mr. SYKES. You did not know, then, that the executive council of thhe American Farm Bureau Federation passed a resolution favoring legislation of this character and that Mr. Silver was in that meeting?

Mr. BOWEN. Mr. Silver spoke of something of that kind, and that is what I meant when I said that these questions were specifically put to the Attorney General, if that decree and consent covered those points and went that far, and he was assured that they did, completely.

Mr. SYKES. Was this conference called for the purpose of sidetracking this legislation.

Mr. BOWEN. No, sir.

Mr. SYKES. I was just wondering what you were particularly going into it for then—that is, into this decree.

Mr. BOWEN. You are wondering?

Mr. SYKES. Yes; what this conference was called for to consider that decree, if it was not either for or against the legislation.

Mr. BOWEN. It seems to me very simple.

Mr. SYKES. Well, will you please state what the conference was called to consider; that is, why was it called to consider the decrcee at this time?

Mr. BOWEN. Just to see what that decree would cover, and, if there were any demands for any sort of control, to meet any

demand if there was such a demand, and to cover all those points that had been suggested and asked for, and how for that decree went in meeting them, and where it met them, and how broad and how wide it was. You can see at once that those who wanted to take the position you mentioned here to-day would very naturally like to know that, very naturally, and if it covered it all and was sufficient for them to be satisfied, if they gave that machinery a chance and put it in operation, and it performed the service, then there was no use to put in operation other machinery to do the same thing. It seems to me to be a very simple matter. It seems to me that, being intelligent, it is not something to be wondered at in trying to find out the reason.

Mr. SYKES. It seemed very peculiar to me just at this time when the committee was considering this legislation.

Mr. BOWEN. I did not get your name.

Mr. SYKES. My name is Sykes, from Iowa.

Mr. BOWEN. Thank you. I did not want to call you "he" or "him."

Mr. SYKES. I got the impression, Mr. Chairman, from Mr. Bowen's testimony before dinner that he left the impression that the American Farm Bureau had come to the conclusion that there was no necessity for this legislation, and I wanted that matter gotten in the record in the proper way; that at the time he was conferring with Attorney General Palmer, as he speaks about, the American Farm Bureau Federation had a representative speaking to this committee in behalf of this legislation, and he was accompanied by nine members of that executive committee, who were present in the room at the time and concurred in what he said.

The CHAIRMAN. Are we to understand, then, that they went before the Attorney General and advocated the decree and not further legislation?

Mr. BOWEN. No, sir; that was not discussed—whether there was going to be any further legislation or not.

The CHAIRMAN. What was discussed and what was the conclusion reached?

Mr. BOWEN. The discussion was just as I tried to state it just now.

The CHAIRMAN. What were the conclusions?

Mr. BOWEN. The conclusions were, after the conference with the Attorney General, that his explanation, which gave us more light than had been given in any print we got hold of, even his statement and all, reading between the lines and everything, that his explanation of its scope and its purpose and what its effect would be, and the opening of those books the same as any public utility——

Mr. ANDERSON (interposing). What books?

Mr. BOWEN. Any of their books and any of their methods of bookkeeping. I tried to state that this morning, and I did go over this this morning and I tried to make it clear. Of course, I guess I did not, or this gentleman over here, Mr. Sykes, would not have inferred so many things that I never dreamed of at all. I want to say in justice to Mr. Silver that Mr. Silver never made any expression that was inconsistent whatever with any conference or any resolutions but he was absolutely consistent in insisting on bringing that point out. I stated that this morning, and I tried to state it very clearly.

Mr. SYKES. No; you did not state it this morning. You left the other impression—that it was the consensus of opinion and that all had agreed to leave the matter with the Attorney General until it could be tried out.

Mr. BOWEN. I think you will find my language this morning was specifically that Mr. Silver was the man who asked that question about putting them under the same ruling as a public utility, so that their methods of bookkeeping and their manner of conducting their business—I think that is the exact language I used—could be looked into at any time by the authorities. The Attorney General stated that that could be done, and that it was left open purposely for that, and declared that in the court that that could be done at any time, and he went further and said that any man who had any complaint, any citizen of this country who had any complaint, and thought he had a grievance could present his facts either here at Washington or go to the United States court, as a part of the Department of Justice, and have a hearing and have the matter gone into. I tried to state that this morning just like I have now.

Mr. ANDERSON. Mr. Bowen, you think it is a desirable thing to have these decrees open so that anybody can come in and make a complaint and have a hearing?

Mr. BOWEN. Well, if we are going to have that kind of machinery to handle the thing at all, then I think that is desirable. The farmers have always——

Mr. ANDERSON. If you are going to have it, you think it is desirable to have it?

Mr. BOWEN. If they are going to have that. I stated this morning we did not discuss whether the decree would be a good thing.

Mr. ANDERSON. I am asking you the question now, and I would like your opinion as to whether you think it is a good thing to have this governmental agency where anybody who is dissatisfied with the conditions can come in and make a complaint, and have the matter investigated and a finding made on it?

Mr. BOWEN. Well, in view of all that has already been said and done, gentlemen, I would not like to put myself up, in spite of all that, and say that I know better. I would not like to say that. I would not like to just say, in spite of the wheres, the wherefores, and notwithstandings, that it is not a good thing, and we ought not to have it.

Mr. ANDERSON. Then you think it is a good thing?

Mr. BOWEN. If they are going to have it, I think it is a good thing. If they are going to have such a thing, then I think it ought to be complete.

Mr. ANDERSON. If you are going to have it, then you think they ought to have it?

Mr. BOWEN. I think if they are going to have it, then they ought to be able to go and look at the books and say what they are doing. I think if they are going to have supervision, then they ought to have it completely and frankly and open.

Mr. ANDERSON. Have you ever read the report of the Federal Trade Commission?

Mr. BOWEN. I have looked over some of them.

Mr. ANDERSON. I think it is stated in that report that the small packers exist by sufferance of the Big Five. Did you ever hear any statement of that kind?

Mr. BOWEN. I have heard the statements and read them.

Mr. ANDERSON. Do you believe that statement?

Mr. BOWEN. Not from my experience and knowledge of the small packers in my State; I do not.

Mr. ANDERSON. I understood you to say that you made some investigation of the matter with a view to ascertaining whether the operations of the Big Five were inimical to the interests of the small packers in the State of Texas?

Mr. BOWEN. Yes, sir.

Mr. ANDERSON. Among the packing plants that you investigated to see whether they were injured by the Big Five, was the Armstrong Packing Co., at Dallas, included?

Mr. BOWEN. Did I say that I had investigated the Armstrong Packing Co.

Mr. ANDERSON. You referred to that as one of the plants that was not harmed.

Mr. BOWEN. Yes, sir; and one that had been making additions.

Mr. ANDERSON. Yes; making additions and going right along.

Mr. BOWEN. Yes.

Mr. ANDERSON. Were you under the impression that the Armstrong Packing Co. was an independent packing company?

Mr. BOWEN. Yes, sir.

Mr. ANDERSON. Well, it is not. It is owned by Armour & Co. Just in that connection, I would like to refer, without reading, to the report of the Federal Trade Commission, on page 285 of the summary, and part 1. I will not read this into the record, but I will ask that it be put in the record at this place, and I just want to call your attention to the fact that since 1906 this plant has been owned by Armour & Co., although operated under the name of the Armstrong Packing Co. There is a good deal of interesting history connected with it which I want to put into the record at this point, with the permission of the chairman.

The CHAIRMAN. Without objection, it will be inserted in the record at this point.

(The statement referred to follows:)

Armstrong Packing Co. (Central Holding Co.).—Prior to 1906. J. S. Armstrong was the owner and manager of the Armstrong Packing Co., incorporated with a capital of $500,000, at Dallas, Tex. In 1906 Armstrong, having seen Armour men looking over his plant, apparently to ascertain its value, asked their business and was told that he had better go to Chicago and see J. Ogden Armour. He went to Chicago, and after much discussion sold out directly to Armour for $850,000, slightly over half what his plant was worth on the basis of its then earning capacity. The sale was conducted entirely between Armstrong and J. Ogden Armour personally, without a known letter, telegram, or any writing whatever, and no record of the sale was filed in the county records at Dallas.

The purchase was made with the proviso that Armour & Co. could continue to use Armstrong's name, for which privilege it was to pay $25,000 per annum. Armstrong was to continue nominally as the head of the company, and the $25,000 was carried on the pay rolls of the plant as his salary as president. Shortly after Armstrong's return from Chicago, his son-in-law, E. L. Flippen, who had been occupying a subordinate position at $2,400, was made president and drew the $25,000, Armstrong receiving the $2,400. This was done to cover

up the transaction. The business continued to be run under the name of Armstrong Packing Co., and as if owned by Armstrong, but the real manager was an Armour man from Chicago, and Armstrong was seldom consulted. F. G. Tongue, the present manager, is also an Armour man, sent to Dallas from Chicago. After the death of Armstrong in 1908, Flippen's salary was reduced to $5,000.

Continually, since the time of purchase of the plant, Armour & Co. has pretended to compete with the Armstrong Co.; there is a branch house of Armour & Co. in Dallas, and the Armstrong Packing Co. has its own live-stock buyers in the Fort Worth yards.

In 1908, after Armstrong's death, the stock of the company was put in the name of Flippen. Flippen alleges that this was done under an arrangement with Mr. R. J. Dunham, of Armour & Co., by which Flippen was to vote the stock and control the policy and management of the company and to have an interest equal to 15 per cent on its then capital. By 1917 the book value had increased to $1,400,000. The capital was $650,000, 5,000 common voting shares and 1,500 nonvoting preferred.

Flippen further alleges that he had made propositions from time to time to acquire the Dunham (Armour) interest in the stock. According to a copy of an agreement between Dunham and Flippen, dated as of June 30, 1917, it was witnessed that the total shares of the company were sold to Flippen by Dunham for $1,200.000, which sum was to be paid in 60 days. But it was provided that the agreement should be void in case Flippen could not underwrite or sell within the 60 days an issue of $1,200,000 preferred stock of the Armstrong Packing Co.

Flippen alleges that he was unable to underwrite or sell the preferred stock within the time provided and that he proposed that, in lieu of the cash provided for in the agreement, Dunham accept the $1,200,000 preferred stock of a new corporation—the Central Holding Co. (of Delaware)—to be organized by Flippen, who was to hold its common stock of $200,000. This proposal, it is alleged, was accepted and the plan carried out. By this plan the Central Holding Co., it is alleged, acquired the entire capital stock of the Armstrong Packing Co. and in return issued all of its own stock to Flippen and his nominees, who thereupon had the $1,200,000 of preferred stock issued to H. L. Stuart, of Halsey, Stuart & Co., bankers, of Chicago, who reports that he holds them for Dunham, of Armour & Co., who, in turn, reports that he acts in this matter as agent for J. Ogden Armour. The preferred stock, according to the agreement, is to be retired as fast as possible, but until such be the case all outstanding preferred is to receive dividends at 6 per cent, and if any dividend is passed the preferred stock is to assume voting rights until such payment is made.

The schedules which the commission sent to companies asked for their holdings as of June 30, 1917. The alleged agreement between R. J. Dunham and E. L. Flippen is dated June 30, 1917, and on neither the schedule from the Armstrong Packing Co. nor Armour & Co. was there any mention made as to the ownership by either Armour & Co. or J. O. Armour. However, on the books of Armour & Co. the holding appears in an account called "J. O. Armour Special No. 2."

At a later date a representative of Armour & Co. requested the commission through a member of the staff not to make public the ownership of the Armstrong Packing Co. by Armour & Co., for he said the company's ownership of it had been in violation of the antitrust laws of the State of Texas.

Under all the circumstances there is ground for belief that Armour & Co., through the admitted ownership of the preferred stock and through its relation with Flippen, is still in real control of the Armstrong Packing Co.

Mr. ANDERSON. You referred this morning, Mr. Bowen, to the Commercial Secretaries' Association, did you not?

Mr. BOWEN. The Commercial Secretaries and Business Men's Association; yes, sir.

Mr. ANDERSON. In order to get the record straight, about the Commercial Secretaries' Association, and your relation to it and that of your brother, R. D. Bowen, I want to call you attention to a letter which was identified by Mr. Veeder and was signed by him, which is found on page 1617 of the hearings on Senate 5305. This letter is

dated June 4, and addressed to Louis F. Swift, Esq., president, Swift & Co., Chicago:

DEAR SIR: I made an appointment with Mr. Arnold for 3 o'clock yesterday afternoon, and, briefly, Mr. Arnold wanted an increased contribution from the packers toward the expenses of the Commercial Secretaries' Association. He stated that both the Commercial Secretaries' Association and the Farmers' Union had done a very useful work during the last four years in modifying legislation in Texas. He mentioned also the favorable influence that the Farmers' Fireside Bulletin had been exercising over the farmers. You will remember that this is the paper conducted by W. A. Bowen, a brother of our friend, R. D. Bowen.

R. D. Bowen is your brother, I believe?

Mr. BOWEN. Yes, sir; of Paris, Tex.

Mr. ANDERSON (reading):

He stated that the method of work of the Secretaries' Association is to distribute picture plates and editorials to the newspapers generally throughout the State and through them to influence the farmer vote.

There is no question but what this association and the Farmers' Union have done considerable good in the State in preventing legislation antagonistic to capital, and it is to be hoped that their efforts will be continued until two or four years from now, when we hope to obtain some kind of constructive legislation in Texas—such, for instance, as we obtained last year in Arkansas that is, doing away with division of the penalties in antitrust suits with the attorney general, and similar provisions in the statutes. Again, we are also to incorporate the Bencini and the Ehle mills.

If my recollection is correct, the Ehle mills were mills owned by Swift, but operated under somebody else's name and included some of the cottonseed mills to which you made reference this morning. [Reading:]

It might be valuable to us to be able to put out editorials in the papers favorable to such incorporation or to the mills if any opposition appears on the part of the State officers.

I would suggest, in view of these facts, that the packers raise their subscription from $750 to, say, $1,500, to be paid in equal parts by Armour, Swift and the Stock Yards Co. This will not cost as much and probably will have a beneficial effect upon the association and will bring their influence to bear in time of need.

I am sending a copy of this letter to Mr. Edward F. Swift and to Mr. Hayward.

Sincerely, yours,

HENRY VEEDER.

Do you know whether the Commercial Secretaries' Association received this additional $750?

Mr. BOWEN. I never did have any manner of knowing at all and I never inquired.

Mr. ANDERSON. You do not know anything about it?

Mr. BOWEN. I never was connected with it in any way, shape, or form, and never got any advertisement or any other matter for them or any remuneration or had any business transaction with them in that line. I do not know where they got their money.

Mr. ANDERSON. You referred, Mr. Bowen, to an article in the Irish Homestead, I think, to the effect that the Congress or somebody was going to put the packing business of the United States out of business, and that this was the time for the British to get control of the meat business. Would you mind referring me to the issue of that paper in which that article appeared?

Mr. BOWEN. I did not intend to say—I think that I used that expression in connection with English papers, and I think that I said

or I intended to say that the Irish Homestead had had several articles running through a page or two of several issues opposing any governmental control of the Irish Homestead Agricultural Society.

Mr. ANDERSON. Well, that is quite a different matter..

Mr. BOWEN. I said some English papers that I had did say—I forget whether it was the Globe or what it was—I have a paper from London——

Mr. HOLMAN. May I interpolate a remark there, Mr. Chairman? The organizations that the Irish Homestead represents in Ireland are the farmers' cooperative societies and not the packers. There is one cooperative packing company owned at Wexford, but it is strictly cooperative.

Mr. BOWEN. I hate to correct my friend Holman, but they do not call them cooperative societies. That is an American idea. They are that in fact, but it is the Irish Agricultural Organization Societies. That is the name of the concern, and that is the one that Sir Horace Plunkett is back of.

Mr. HOLMAN. That is an assisting organization entirely.

Mr. BOWEN. They are advocating putting up their own meats. They have some packeries and they are putting up their own animal products, and they are demanding a free hand and a free rein to the markets, and they are positively demanding that the Government does not—they were talking about taking charge and taking control, and the editor is one of the very best. It is one of the ablest edited papers anywhere in the world for farmers, and they are advocating the doing away entirely of any Government interference in their business and giving them a free hand both in England or anywhere else where they can find a market, absolutely.

Mr. LYMAN. Mr. Chairman, may I make a remark, speaking to this question of the Irish Agricultural Society? That is a federation. The Irish Homestead comes weekly to the office of the National Board of Farm Organizations. I have been following their comments and their editorial policy. The objection which they make to Government control, which they have, is involved in the policy of England's control over Ireland, and they want that control restricted and removed, as they view it. Now, in the meantime, they have been commenting for months upon the packer combination in the United States. They are horror-stricken at the situation in this country. You will find that running through the columns of the Irish Homestead.

The CHAIRMAN. Are there any further questions?

Mr. RAINEY. That is all, Mr. Bowen.

STATEMENT OF MR. H. ARTHUR MORGAN, GALVEZ, LA., REPRESENTING THE ORGANIZED FARMERS OF THE FARMERS' EDUCATIONAL AND COOPERATIVE UNION OF AMERICA, LOUISIANA DIVISION.

Mr. RAINEY. Mr. Morgan, give your full name, address, and business to the stenographer.

Mr. MORGAN. H. Arthur Morgan, Galvez, Louisiana. Mr. Chairman and gentlemen of the committee, I represent the small producers of the State of Louisiana, and incidentally I will give you a little

of my criminal career also. Four years ago, for no cause whatever I was convicted to a four-year term in the Louisiana State Legislature, but last year, when my time was about served. I committed a crime that I came very near being lynched for by the cattlemen of my country for voting for woman suffrage and prohibition; because the cattlemen, you know, as they come in they like their mint julep, and now, instead of meeting their wives with a mint julep when they come in, they meet the old negro cook, who says, "Sorry, but dinner is late. Madam has gone to a suffrage meeting."

That was my crime, so I was recommitted for four years again, the 20th of January.

Now, Mr. Chairman, I heard this morning some of the questions as to why there were not more farmers here instead of sending some one to represent them. That can very easily be answered. The producers can not afford to come here—the small producers. It is something to come before these committees; and they, in fact, get together and send some one to represent them, because they can not afford it. The big cattle growers can afford to come.

I will be very brief on all the matters that I wish to touch upon. Now, as for the farmers' cooperation with the packers, why, my experience is that we are absolutely dependent upon each other; we can not do without the other. The loan banks that I heard some testimony concerning here this morning. I heard some testimony here against the cattle loan banks. Why, in my State you can not go to a bank and borrow money to grow cattle on. There is no other bank where you can borrow. They will refer you right back to some cattle loan bank. So there again they come in to help production. It is the producer that must be looked after.

I will give you a little of my own personal experience now. There are figures. Everybody seems to be figuring. Figures don't lie, but liars do figure. Last year after slaughtering my meat for home use—last year just about this time—after I had slaughtered enough for my home use, I had three hogs left, approximately 1,000 pounds. I was away from the packers, where I could not get to the packers. I had to depend on the local butchers to sell. They had already eaten their heads off. It was time to unload those hogs and I finally offered 12½ cents, and was glad to get it, and took it for those hogs. I went to the New Orleans market on the same day. I was too late to go when the butcher came, but he had got them from me. I went at the stockyards, and that same identical class of hogs was quoted at the stockyards at 19½ cents. That same butcher sold my hogs in the little town of Sorento for 50 cents a pound dressed, and in bad roads when he could not go to the producer he was forced to go to the packer and get his meat and he sold the packer meat in the same town, the same class as mine, for 45 cents. Why? Because everybody knew what he paid for the carcass from the packers.

That is an example where, if I could have sold this 1,000 pounds of meat to the packers at the prevailing price that day, instead the 12½ cents, it would have meant $460 for me.

They do not seem to figure the loss of the country butcher. The packing industry, I feel is efficient; it is built up. It makes its profits out of what the small butcher throws over the fence. Have you ever thought of that? Take the 300-pound hogs to-day, they are

quoted at 15 cents on the hoof; that is $45 from the packers. That hog will lose about 65 pounds—this is some of my own experience; that is, the entrails, blood, and refuse matter that the packers utilize every pound of, and the small butcher throws it away; that goes out. All right, take off this 65 pounds; that leaves me 235 pounds of dressed meat. Now, you have to take off of that 235 pounds about 40 pounds for the head and feet and trimmings; that is a low class of meat that we generally on the farm give away to the help that we get, but I will put it at 10 cents a pound, which is putting it very high. I do not believe that class of meat will bring 10 cents. That leaves us 195 pounds from our 300-pound hog. Now, you get 14 pounds of leaf fat, that can not go into the pork barrel, that will render 12 pounds of lard, at 30 cents a pound, and you sell that at $3.60. That brings us down to 181 pounds of pork out of our 300-pound hog.

Now, you can go on the market to-day and buy a barrel of pork, 200 pounds, for $36, or about 18 cents a pound. Now, we have 181 pounds——

If you will permit me, Mr. Chairman, I would just like to read a carbon copy of a letter which I wrote, and as I figure it from my own personal experience. Some of you may have seen it.

I represent the organized farmers of the Farmers' Educational and Cooperative Union of America, Louisiana Division, and of which organization I am a member of the executive committee, and was instructed by them to come to Washington and attend hearings affecting the interests of the live-stock producers. And I would like to submit some of my experience and figures, just to what extent in my mind this proposed Kendricks and Kenyon legislation will cripple the small live-stock producers in the South.

Last year, 1919, at about this time, I had three hogs left over from my home supply. I looked to the local butchers for a market, after carrying them till they had simply eaten off their heads, I was offered 12½ cents per pound on the hoof, which I accepted, as there was only around 1,000 pounds.

Now, on the same day that I sold these hogs for 12½ cents I was down on the stock yards in New Orleans and found the same class of hogs as mine were selling to the packers on the same day at 19½ cents on hoof——

Mr. ANDERSON (interposing). What day was that?

Mr. MORGAN. I do not recall the exact date; about this time last year; it was in this month. I never kept records of exactly the days and dates of these matters because I was just slaughtering my meat about this time.

My reason for not shipping was from the fact that I did not have a carload, and it does not pay to ship in small quantities.

The same butcher that paid me 12½ cents for my hogs on the hoof retailed the dressed meat in the town of Sorento for 50 cents per pound, and at the same time when he could not procure his hogs from the small producers, and was forced to buy his dressed meat from the packers, he sold the packer meat to his customers at 45 cents per pound. Why? Because from the fact that the packers published their prices daily in the press, everybody knew just what his meat was costing him and he did not want to be placed in the light of profiteering.

This little example of my own personal experience shows where I as producer lost $70 on my sale of 1,000 pounds of hogs to the local butcher direct; it also shows that the consumer allowed 19½ pounds per hundred gross weight for the refuse matter, such as entrails, blood, etc., that the small butcher has no way of saving as the packers; this leaves us 805 pounds net meat that the consumer paid $40.25 more for at 5 cents per pound than he would have paid for the same meat had it gone through the packer plants and let the packers get their profits out of what the small butcher throws over the fence.

I want to draw your attention to that now. There was a difference of 5 cents a pound now; when this butcher bought the meat from the packers he sold it to his trade at 5 cents a pound less than the meat he bought from me.

From these facts you can readily see why we small farmers to whom the country must look for its meat supply feel that the packers are our only source of profitable marketing.

So much for efficiency.

Now, let us compare the difference of selling our hogs on the hoof to the packers and slaughtering them ourselves. To-day hogs are quoted at an average of 15 cents per pound on the hoof; taking the hog that weighs 300 pounds we have from the packer's price $45.

Now, let us slaughter this hog on the farm (or by the small butcher), the first loss is 65 pounds for entrails, blood, etc.; an absolute loss. This leaves us with 235 pounds of dressed meat, from which must be subtracted 40 pounds for head, feet and trimmings that can not be used in the pork barrel; we now have 195 pounds, from which we will take 14 pounds of leaf fat that can not go into the pork barrel; we now have 181 pounds of meat ready for salting.

Now, let us sum up.

Mr. ANDERSON. How much did this hog cost?

Mr. MORGAN. Twelve and a half cents on the hoof, I sold him for.

Mr. ANDERSON. Thirty-seven dollars and a half.

Mr. MORGAN. Yes. Pork to-day is quoted by the packers at $36 for 200-pound barrel, which is 18 cents a pound. These quotations average around that; less than $36, really.

The CHAIRMAN. Is that the quotations to-day?

Mr. MORGAN. Yes; I noticed them to-day.

The CHAIRMAN. The quotations on live hogs to-day is not $18.

Mr. MORGAN. No, sir; that was at the time I sold. That is the reason I submit this. But I am going to give you the figures. Now, last year, if I remember right—I won't be positive about the quotations—but I think the quotation was about $48 then. I am glad you called my attention to that.

Pork to-day is quoted by the packers at $36 for 200-pound barrel; this is 18 cents per pound.

Mr. ANDERSON. That is mess pork.

Mr. MORGAN. Yes; the barrel as you get it.

Mr. ANDERSON. Of course, it is not quite fair to compare mess pork with the prices of hogs as you have them.

Mr. MORGAN. If not, it would be in the interest of the producer. It is all safe and good stuff—my figures would show—that I or any other consumer in the country would rather buy pork than put it up myself.

We have:

181 pounds pork at 18 cents	$32.58
12 pounds lard at 30 cents	3.60
40 pounds cheap meat at 10 cents would be putting it high	4.00
2 pounds crackling, with no value on farm	0.00
Total	40.18

These figures are not overdrawn at all, if anything underestimated. They make no allowance for cost of salt, labor, or barrel to salt the meat in. (Of course, the farmer is never expected to figure his time as being worth anything he must just produce.)

From these figures, you will find that Uncle Reuben can sell his 300-pound hog to the packer for $4.82 more than it will cost him to buy it from the packers, all packed and safe, yet we hear the unthinking masses howling. "Down with the packers and lower the cost of living."

I submit these figures from my own personal experience. I am a small producer, raise and slaughter my own meat for home use, and sell my surplus to the country butchers for whatever price they offer; if I could reach the packers with their prices, both to producer and consumer, I would never slaughter another hog.

In view of the decree by consent, with the packing-house concerns, that has just made public, and of the foregoing facts we average farmers are convinced that the legislation now pending against the packers will greatly injure the live stock business, especially the average small farmer.

It strikes me that what Congress ought to do, and what all American citizens who really want to reduce the high cost of living, and to bring back prosperity to the farmers and our industries alike, is to join hands and stop all this agitation, and use the combined efforts and power of Congress in opening up foreign business as well as local business to American industries, and bring back sanity in the way of hours of labor and wages.

This will insure an increased market for raw materials, an increased production in factories, and this will be one of the main elements in reducing the high cost of living.

I saw in the papers a few days ago where Norway had just closed a contract for selling fats to Germany, and England has been doing this a long time, while we have been rowing among ourselves, and I don't believe there are enough hogs in America and enough cottonseed oil on hand to supply Germany, Austria, and Russia with needed fats, to say nothing of other foods.

Above are my views, and I feel sure the views of every small farmer in this Nation who understands this question.

I only read this to hurry on the time, as I did not want to take up so much of your time, and this is just as I wanted to report it to you.

Now, I find from these figures that the packers the way they have been all the time, the treatment we have got from them, and we have no cause for complaint. I have shipped—I am to-day not a shipper; I am not shipping and not buying—but the different conditions in New Orleans before the packers ever came into the New Orleans market at all, and now I have shipped cattle down there and found the markets glutted, oversupplied and no market. I have bought cattle in New Orleans and shipped them back to the ranch, sacrificed my own because we had an overglut. When the packers came into New Orleans we had a way of clearing our yards, and now when the farmer ships his cattle to market he knows they are not going to stay there and be drawn at that market; they will be unloaded, and I have seen no complaint in the experience I have had. And those were not the conditions before they entered there.

As I said about the loans, I believe that Morris & Co. has a loan bank there. I do not do any business with them; never have done any business with them, but I have gone to the other banks and tried to do business, and they referred me to the cattle-loan banks because the other banks do not do cattle-loan business. They do not understand the question at all. The figures and facts I gave you are my own personal experience, and I only want to tell you what I know. I do know something about the slaughtering of the hog on the farm, and I know there is a difference in the loss of shipping, and therefore this may vary a little—if you gentlemen may feel like going out and killing a hog, which I do not suppose you do—but I will leave that to anybody as to how accurate I am in the killing of hogs. This is killing hogs in my own lot. I figure to-day we can sell our stuff to the packing industry and buy it back cheaper than we can slaughter it on the farm for the simple reason that the waste that I have spoken of, and the waste of the small butcher of the things that we do not handle; the small butcher does

not handle it and the farmer does not handle it. Take the millions of cattle and hogs that are slaughtered on the farms; it goes to waste. but in the packers it goes back as fertilizer. Where does it go if it is slaughtered by the individual? This refuse goes to waste.

Mr. WILSON. Usually it is hauled out in the field some place and they let the birds and animals eat it.

Mr. MORGAN. Not usually; all the time that is the way it goes.

I have a document here, Mr. Chairman, that I would like to introduce, as I am not going to take up any more of your time than I possibly can help, but this exactly expresses the views of the farmers and I would like to introduce this. It is the memorial filed by the Dairyman's League, of Albany, N. Y., as it touches along these points, and it covers very much our farmers' attitude toward this legislation. I would like to read this, and I will be trough.

Mr. MCLAUGHLIN of Nebraska. How many pages are there of that?

Mr. MORGAN. Six; it would take me about 10 minutes.

Mr. VOIGT. That report that you have, that covers the regulation of milk prices; we have all had that.

Mr. MCLAUGHLIN of Nebraska. We have all read that; we have had it on our desks.

Mr. RAINEY. We all have it on our desks.

Mr. MCLAUGHLIN of Nebraska. Some of us have read it.

Mr. MORGAN. That is it; some of you may have had it on your desks and not have read it. Some of the things that come to my desk I do not read; that is the unfortunate thing about the producers, they do not have time to read everything, and I am afraid some of you gentlemen in the rush of business do not read enough.

Mr. RAINEY. You appreciate that Members of Congress receive wagonloads of resolutions, etc.

Mr. MORGAN. Exactly so. I am burdened with that class of stuff myself. But the trouble is some of the stuff we call trash we do not read. Some of the things had better come before the committee.

Mr. RAINEY. Is there any particular point you wish to refer to?

Mr. MORGAN. No; it is general. If it will go into the records, I would like to submit that as our views. That expresses our views.

Mr. ANDERSON. If that expresses your views we would like to know what it contains.

Mr. RAINEY. If it is the desire of the committee you may proceed

SHALL THE STATE FIX MILK PRICES?

[Memoranda filed by the Dairyman's League (Inc.).]

Bills are now pending before the senate and house at Albany, N. Y., designed to enact into law the recommendations of the so-called fair price milk committee, which recommended the creation of a milk commission to fix the price of milk to be paid producers, and to be charged by distributors.

Such laws being recommended by Gov. Smith, it becomes necessary to discuss them.

They provide in substance for the appointment by the governor, of three commissioners, removable at his pleasure, with powers to—

(*a*) "Exercise jurisdiction over the production, transportation, manufacture, storage, distribution, and sale of milk and milk products."

(*b*) To investigate methods and costs of producer and distributor.

(*c*) If the commission decide that prices fixed by producer or distributor are not fair or reasonable, the commission is to fix such prices.

(*d*) To require each producer of milk to report to the commission at such times as it may direct, showing the disposition of the milk and milk products sold, to whom sold and delivered, and the prices obtained therefor.

(*e*) To require distributors of milk and manufacturers of milk products to make like reports.

(*f*) To require distributors of milk in cities of the first class to file with the commission a map of the territory covered by it in the distribution of milk.

(*g*) "To prohibit or limit, by its order or regulation, the sale of fluid milk to manufacturers."

(*h*) To subpœna producers and dealers, with their records, books, accounts, etc.

(*i*) To prohibit the operation of any manufacturing plant or shipping station until it has received a certificate of necessity from the commission.

(*j*) To adopt such necessary regulations to carry out the intent, purposes, and objects of this act, which regulations shall have the force and effect of law."

A violation by producer, distributor, or manufacturer of a special order of, or a regulation adopted by the commission, to be a misdemeanor punishable by a fine of $500, or a year in prison for each offense, or both. The decisions of the commission to be prima facie just, legal, and final, unless reversed by the courts, while resort to the courts seem to be restricted to questions of law involved.

If, therefore, such bills be enacted into law, the commission will have "jurisdiction over the production * * * and sale of milk and milk products" by the farmer and may at their discretion prohibit the farmer from selling his milk to a manufacturer, thus compelling him to sell it to distributors of fluid milk at prices to be arbitrarily fixed by the commission.

This ambitious program differs from the bolshevik program in Russia only that there all property is to be nationalized, while here only properties used in production and distribution of milk are to be nationalized. In principle they differ not at all but only in degree.

To deprive the farmer of his "jurisdiction over the production * * * and sale of his milk and milk products," and vest such control in a commission, is to strip the farmer of every essential attribute of ownership.

The commission is to be given exclusive jurisdiction over the $2,000,000,000 worth of property owned by other men, with power to fix the prices of the products of such properties, whch in effect is fixing the prices upon the properties also, for the value of a farm is measured by the price of its products.

To reduce prices, production must be increased. Production can not be increased by law, but only by work, notwithstanding that for ages visionaries have dreamed that economic laws can be repealed in whole or in part by statute law.

That is one of the points I make; that if we want to reduce the high cost of living we have got to encourage production, we have got to have the products.

Dairy farmers of the State have now two avenues through which their products reach the ultimate consumer. One of these is that through which fluid milk reaches consumers, the other that through which milk products reach consumers. The commission may arbitrarily close one of these avenues. avenues.

The commission may make special orders or general regulations, a violation of which is a misdemeanor, punishable by fine or imprisonment, or both. By this the legislature will delegate to a commission the power to write the criminal laws of the State, of which laws the farmer may be ignorant, unless he happens to be a reader of 1 of the 10 newspapers in which such regulations are to be published for a period of 10 days.

This summary of the bill condemns the bill stronger than can any argument.

The law of supply and demand, if permitted to operate without interference, establishes a rough equilibrium, so that the price of any one essential commodity usually bears a fair relation to the price of every other essential commodity.

For the State to fix the price upon one of these commodities, disturbs such equilibrium and at the best will result in confusion, and at the worst in disaster. If the price thus fixed is higher than that determined by supply and demand, consumers will suffer; if lower, producers will suffer.

If the price thus fixed is too high, farmers will enlarge their production of milk with a corresponding reduction in the volume of other farm products. If the price thus fixed is too low, farmers will either abandon their farms or will produce less milk and more of other products.

That applies to every part of farm production.

By a process of natural selection, the farms of the State have been devoted to that branch of agriculture to which each is best adapted. This has resulted in certain uniform and economical production of various farm crops. With the price of milk fixed by the States, whether such price be too high or too low, this balance will be disturbed, and once disturbed, it will take years to remedy the evil.

If the State once begins price fixing of commodities, it must by the relentless logic of economics, also fix prices on all other essential commodities. It must also fix prices on all labor and material employed and used in the various processes of production. This will necessitate going back step by step until it reaches the tree in the forest and the ore in the mine.

As well may the State attempt to regulate the ebb and flow of the tide.

Not only is such price fixing unworkable, but it would be unjust if workable. To compel the farmer to sell his product in a regulated market and buy all of his supplies and necessitate in an unregulated market, violates every principle of justice, and would result in such confusion and chaos that would at once be reflected in an appalling decrease in production.

Why, it may be asked, if the State is to fix the price of food, should it not also fix the price of other necessities? It may be stated that in this climate the necessities of life are food, clothing, fuel, and shelter. Why, if the State is to fix prices upon one, why not upon all?

The present price of milk bears such a fair relation to the price of other necessities that it is clear there is no greater necessity for arbitrary action in one case than in another.

The reasons advanced for these drastic laws are that milk is so high in price that the poor in the city can not buy it. If so, neither can they buy beef, mutton, poultry, butter, cheese, lard, or clothing.

To see that the children of the State are sufficiently nourished should be our every aim, but it is apparent that the trouble is not with the price of milk, but with the purchasing power of some of the consumers.

In one of the many milk investigations it was shown that a man having a wife and seven children was working for $2 a day and this was urged as a reason why the price of milk should be reduced. Rather is it an argument that the wages of that man should be increased, and it would be interesting to know if among those who are calling so loudly for drastic action to reduce the price of milk may be found the owner of the sweat shop who pays that man only a $2 daily wage.

It may be that the Empire State now stands at the parting of the ways. Is it ready to throw into the discard the system of private control of private business and to substitute therefor State control of private business? The more such powers are conferred upon the Government the more autocratic it becomes. Only an autocratic government can be an efficient business manager.

The entire price-fixing propaganda is designed to substitute a government by commissions for a government by legislatures; a government by bureaucratic rules for a government by law.

The result of the control of the barter and sale of commodities by Governments as tried from time to time for thousands of years, should cause the Empire State to consider well before engaging in this dangerous experiment.

Rome attempted it in the period of its decline and the result was only to accelerate the decline and fall of the empire.

England tried it by both price fixing and other regulatory measures, but these laws were soon repealed for the reason, as stated by MacCauley, that they had "turned the scarcity into a famine."

France tried it in the days of the Revolution. Its coasts were blockaded; its currency inflated; prices were soaring and profiteering was rampant. Maximum prices were fixed upon more than 40 different commodities and the result was confusion worse confounded.

Henry E. Bourne tells the story of food control and price fixing in revolutionary France, in the Journal of Political Economy, of March, 1919, in which he states "the experiment suffered from the fundamental vice that it was contrived in a spirit of hostility to the manufacturer, the merchant, and the farmer. * * * The effect was bound to be temporary, because a system of force is ill adapted to the normal activities of mankind."

Whether the present movement is conceived in a spirit of hostility to the farmer, the dealer, or the manufacturer, is immaterial. It is conceived in a spirit of hostility to the fundamental principles of commerce and business

The liberty of action heretofore existing has encouraged initiative, created confidence, made the dollar the standard of the world's value, and made New York City the financial center of the world.

Instances without number might be cited of attempts on the part of the State to control business and regulate prices. Again and again it has been attempted only to result in failure. It has been attempted by highly civilized nations and by crude and primitive ones.

The result everywhere and always has been such a decrease in production as made an early repeal of such regulatory laws necessary.

The organized farmers of America are aroused upon this question. On January 30, 1920, at Washington, a joint memorial was issued by the six largest national farm organizations, one of the declarations therein being as follows:

"Observe economic laws. To attempt to thwart natural economic laws by legislation is useless. The law of supply and demand should have full sway.

"Government price fixing interferes with the operation of the law of supply and demand and disturbs the equilibrium established by such laws.

"If a price so fixed is higher than that fixed by supply and demand it is unjust to consumer; if less, it is unjust to producer.

"We are, therefore, opposed to governmental price fixing and insist that if the State fixes the price of any essential commodity, it should at the same time fix prices on all other essential commodities.

"The application of price fixing in an effort to reduce the cost of living, has militated against the producer without giving the anticipated relief to the consumer and this has resulted in the reduction in the proportion of wheat, pork, and other farm products so that a serious shortage of food in 1920 is threatened.

"To compel any group of citizens to sell their products in a regulated market, and to buy their supplies and necessities in an unregulated market is an unjust and dangerous discrimination."

In December, the National Milk Producers' Federation at its annual meeting in Chicago, adopted the following resolutions:

"*Resolved*, That farmers should not be required to sell their products in markets regulated by law and compelled to buy their supplies and necessities in unregulated markets, but that if Federal or State Governments undertake to fix prices on any one essential commodity they should at the same time in common justice fix prices on all other essential commodities."

And finally it may be stated that with price fixing once adopted as the declared policy of the State, the inevitable end is the destruction of the right of private property.

One of the greatest of English law writers has stated that the three great rights of freemen are those of personal liberty, personal security, and of private property.

The enforcement and protection of these rights has resulted in the wonderful growth and development of the Nation. To renounce any one of them means that the State will be adrift on strange seas in an untried ship and without pilot or compass.

We respectfully submit that these bills and all similar ones should be defeated.

DAIRYMEN'S LEAGUE (INC.).
JOHN D. MILLER,
Vice President and General Counsel.

I submit that as the views of the producers. Another thing——

Mr. ANDERSON (interposing). Just a minute on that: I did not hear anything in that statement about packer legislation.

Mr. MORGAN. It did not contain anything about that; but it is just a reference to that portion as to a commission. It says you can not regulate the high cost of living by law, that we must produce.

Mr. ANDERSON. That is a brief against price fixing by the Government?

Mr. MORGAN. Yes, sir.

Mr. ANDERSON. Did you understand that any of these bills with reference to the packers has any provision for price fixing?

Mr. MORGAN. No; but they provide for a commission.

Mr. ANDERSON. That is not directed against a commission but against price fixing.

Mr. MORGAN. To any laws of that kind.

Mr. ANDERSON. That was submitted by the New York Dairymen's League, was it?

Mr. MORGAN. Yes, sir.

Mr. ANDERSON. And you indorse their position about that?

Mr. MORGAN. Yes, sir; I do.

Mr. ANDERSON. I understand that the New York Dairymen's League through the National Bureau of Farm Organizations has indorsed this packer legislation.

Mr. MORGAN. Well, I do not know anything about them indorsing this packer legislation, but this document here is in full sympathy with my ideas.

Mr. ANDERSON. That expresses your full views about packer legislation, does it?

Mr. MORGAN. Yes, sir. Now, another thing about this production: I want to draw your attention to the high cost of living, and to say that you can not reduce it without producing more. Do you know that we are having trouble on the farm to-day about getting labor? Short hours and high wages have reached way out on the farms, and I feel that when you go after the packers you might just as well go after the tractor man, because that is absolutely the only thing that has come to our assistance to-day. I read a headline in a newspaper the other day, "If the farmers were to go on a strike what would happen?" And I mentioned to one of my friends: "This brings up something else; did it ever occur to you what would happen if the packers were to go on a strike?" Just let them close up their shops to-day and stop their distribution? Everybody in this city and throughout the whole country can have pork chops for breakfast in the morning, but let the packers go on a strike and how long would you or others get them?

Mr. ANDERSON. Do you think that is an argument against any sort of regulation or supervision of the packing industry?

Mr. MORGAN. From my personal experience and my knowledge of transportation facilities, what I know about them, I believe so. If the refrigerator cars were taken away from them what would it mean? I heard the question asked here this morning about refrigerator cars, and my thought was this: I feel like you had just as well take the farmer's wagon away from him when he is harvesting his crop as to take the refrigerator car away from the packer when he is putting up his meat, because, as you know, the farmer needs his wagon when he needs it and he wants it right then and not later on. I feel that the packers need this equipment to handle their dressed meats. I feel that they know more about the handling of the dressed meats and the distribution of same to the advantage of the producer and the consumer alike than anybody else. I could not run a packing house and no more could the packers handle my farm or slaughter out on my farm. I don't suppose one of them could come out on my farm and slaughter a hog like I do. They have a different method entirely, and they can slaughter 50 hogs while I am slaughtering 1. It is a matter of system and efficiency which they have worked

out. And it is a matter of efficiency of transportation in this matter of proper distribution. They have specialists to look after these special matters. They have specialized in the various branches of the industry, and they know how to handle the matter to the best advantage. There is no question about this refuse matter. They have solved this problem of taking care of by-products until now they can handle and save everything that the farmer and the small butcher loses. That is where millions of dollars' worth of stuff would go to waste if slaughtering was done haphazard like it used to be before this industry was brought up to the point of efficiency where it is to-day.

The CHAIRMAN. Mr. Hutchinson, have you any questions?

Mr. HUTCHINSON. I would like to get clear in my mind about the thousand pounds of hogs that Mr. Morgan has talked about. Mr. Morgan, you said you had a thousand pounds of hogs?

Mr. MORGAN. Yes, sir.

Mr. HUTCHINSON. And you sold them for 12½ cents a pound?

Mr. MORGAN. Yes, sir.

Mr. HUTCHINSON. And you said the packers were paying 19½ cents a pound?

Mr. MORGAN. On the same day they were worth 19½ cents a pound.

Mr. HUTCHINSON. That is a loss of 7 cents a pound, and $70 off on your three hogs?

Mr. MORGAN. Yes, sir.

Mr. HUTCHINSON. Is there any reason why you could not have shipped those hogs down to the market and let the packers buy them?

Mr. MORGAN. Yes, sir. Three hogs, why would they buy them? Do you realize what three hogs would be to a man of my size?

Mr. HUTCHINSON. I know, but it would not have cost you $70 freight?

Mr. MORGAN. No; but think of the trouble doing it. That is work. You would have had to hire help to do it. I tell you we farmers are not supposed to handle anything but work. We are supposed to produce, and that is all we are doing all of the time.

Mr. HUTCHINSON. $70 is a lot of money to throw away on three hogs?

Mr. MORGAN. You bet it is. But those are the figures and the facts, and are the things you will find when you get out into the country. And see how the country butcher is buying. We do not have time to take care of it.

Mr. HUTCHINSON. You say the butcher killed those three hogs and retailed the pork to the consumers 50 cents a pound?

Mr. MORGAN. Yes, sir; dressed at 50 cents a pound.

Mr. HUTCHINSON. And sold it to the consumer?

Mr. MORGAN. Yes, sir.

Mr. HUTCHINSON. And he could sell packer-killed meat at 45 cents a pound?

Mr. MORGAN. Yes, sir.

Mr. HUTCHINSON. Did he go out and tell the consumer that that was pork bought from a countryman? He didn't tell the consumer that it was country pork, did he?

Mr. MORGAN. Sure he did. He made them believe that packer meat was inferior when the absolute fact was that it was not inferior.

Mr. HUTCHINSON. And that was the reason he did it?

Mr. MORGAN. Yes, sir; that was the excuse to get a higher price. That was his dodge. Everybody knew he was buying packer meat, and he had to protect himself and he said packer meat was inferior to fresh meat right off the farm.

Mr. HUTCHINSON. And that is the reason he charged 5 cents a pound more, because it was meat right off the farm?

Mr. MORGAN. Yes, sir. And no one knew how much he paid to me for the hogs. They did not know what the meat cost him. They knew what it cost him by the carcass from the packers because there were quotations every day. That is why.

Mr. HUTCHINSON. Mr. Anderson asked you about price fixing and about the matter of a commission: Do you think a commission would be very serious to the packers if they fixed a certain price for hogs?

Mr. MORGAN. To fix a certain price for hogs?

Mr. HUTCHINSON. Yes.

Mr. MORGAN. I believe in the law of supply and demand.

Mr. HUTCHINSON. Don't you believe that the rules and regulations of such a commission would come to mean more trouble than price fixing?

Mr. MORGAN. I do not know that I can answer your question intelligently, but I am satisfied to let well enough alone. From my past experience, a few years ago, when I shipped cattle, and considering the keen competition I met on the market, I believe we need the packers. And as I said a while ago as to the way the market went, I think the consumer got it cheaper. And I further showed you right there where the producer got it cheaper and is getting it cheaper.

Mr. HUTCHINSON. You have not gone into that matter very much, but you do not object to price fixing as much as you do to the probable rules and regulations?

Mr. MORGAN. I have not gone into that very much.

Mr. HUTCHINSON. You only know what you have read from the paper there?

Mr. MORGAN. Yes, sir; and from my personal experience.

The CHAIRMAN. I infer that you are not satisfied with your transaction with your local butcher?

Mr. MORGAN. Why, no; certainly not. That is where the profiteering comes in.

The CHAIRMAN. Would you be in favor of regulating him?

Mr. MORGAN. If there is a way to get to him, yes. When a thing needs regulating and it is bad enough we hardly ever go to law.

The CHAIRMAN. If you find any violation of the law or anything wrong you are in favor of regulating such matters?

Mr. MORGAN. Well, I am to blame for that, that I didn't ship those hogs. I said that sometimes we can't do it, and there is no way to reach him. But if I had the time to have gathered a carload of hogs and shipped them then I might have been able to handle this proposition.

Mr. HUTCHINSON. The packers do not object to buying up your hogs, do they?

Mr. MORGAN. If we get them to their market, no. But if they have to come out to my place to buy them they wouldn't want them at all. Let me tell you my experience with the country butcher: I have cattle

that I can ship and sell that even the country butcher won't look at; that I can ship and sell to the packer, but if offered to the country butcher he says he does not want that kind of stuff because they want to go after the animal when it is finished off, and fattened; where the waste is not so great. In other words, a beef that will dress about 40 per cent net, you can take that beef and feed it at silos and dress it up and it will dress about 60 per cent. But we don't feed that way.

Mr. ANDERSON. Have you ever seen a beef animal that did not dress over 40 per cent?

Mr. MORGAN. Why, my dear sir, I can show you old canner cows that do not dress 40 per cent, from my personal experience.

Mr. ANDERSON. I am not talking about canner cows but beef cattle.

Mr. MORGAN. Well, I am telling you what we have to sell. We have to sell them all. I am just indicating to you what we have to sell.

Mr. ANDERSON. I want to say to you that if you have any that will dress only about 40 per cent you better sell them.

Mr. MORGAN. Well, nobody will buy them except the packers—to make fertilizer out of, or for canners or feeders. They finish them off.

The CHAIRMAN. I understood you to say there were 65 pounds loss on three hogs?

Mr. MORGAN. On 300 pounds of meat; yes, sir.

The CHAIRMAN. Is that not a large loss?

Mr. MORGAN. Well, as I told you just now, the difference between a hog that has been shipped and one killed on the farm I do not know. That is my personal experience with a hog killed out on the lot. I have figured this out from my own experience. Of course, if this hog had been shipped and kept in a feed lot or kept on the train a day or two it would vary. That is why you can not come at an estimate of the loss under different conditions.

The CHAIRMAN. You do not take into account shrinkage on hogs that you ship to New Orleans?

Mr. MORGAN. No; to be frank about the matter, I never shipped any hogs there. I have handled cattle only.

The CHAIRMAN. How much would that be?

Mr. MORGAN. I do not know—for loss of hogs?

The CHAIRMAN. The loss in shipping?

Mr. MORGAN. Fifteen pounds to the hundred?

The CHAIRMAN. No; on the hogs?

Mr. MORGAN. Do you mean what is the shrinkage, and would it be only 15 pounds to the hundred?

The CHAIRMAN. No; the shipping loss?

Mr. MORGAN. I guess approximately it might be something like that, but I could not answer it.

The CHAIRMAN. Fifteen pounds at 19 cents a pound would be about $2.85, would it not?

Mr. MORGAN. Yes, sir. I have figured out from this other showing even that it would be to the interest of the producer not to put up his own hogs. And I did not even figure the cost of the barrel or of salt or of labor.

The CHAIRMAN. You seem to be under the impression that the object of this bill is to do away with the packers entirely?

Mr. MORGAN. Well, I feel that it is hurting our market. I feel that whenever you are crippling up the means of distribution it is hurting us. Like about the wagon, when you take from the packer his refrigerator cars—and I think that is in the bill, isn't it? you want to take the refrigerator cars away from the packers, and I feel that they should have their refrigerator cars and all of the things that they need for distributing these meats. That is the way I feel about it.

The CHAIRMAN. That is what the packers are contending for. They have discussed that matter with the Attorney General.

Mr. MORGAN. I look at it this way: That if they had the distributing powers, so that they are able to buy cattle from me, or hogs from me, and dress them and ship the meat clear across the country and sell it to you for less money——

The CHAIRMAN. That is not the question here at all. Nobody has proposed to put the packers out of business. The object is to have open competition. In your opinion, is competition a good thing or a bad thing?

Mr. MORGAN. Why, it is a good thing, and we have it now.

The CHAIRMAN. Then why are you not for legislation, if you are for competition?

Mr. MORGAN. We have the keenest kind of competition now.

The CHAIRMAN. The contention is that you have not.

Mr. MORGAN. Well, in my experience, I have experienced it.

The CHAIRMAN. Have you read the report of the Federal Trade Commission?

Mr. MORGAN. No; I have not.

The CHAIRMAN. From what you know about the business, is there competition?

Mr. MORGAN. Just from my personal experience, I know that there is competition. In Denver, Colo.——

The CHAIRMAN. What is your experience with the packers owning the stockyards?

Mr. MORGAN. I have covered all that, I think.

The CHAIRMAN. You said you had not been shipping?

Mr. MORGAN. Not right recently; but I have shipped.

The CHAIRMAN. What is your experience on that point?

Mr. MORGAN. My experience is that I get competition and that I get a sale for my stock.

The CHAIRMAN. Competition where?

Mr. MORGAN. Among themselves.

The CHAIRMAN. Among whom?

Mr. MORGAN. Among the packers—Armour, and Swift, and so on.

The CHAIRMAN. Where do you deal with Armour and Swift?

Mr. MORGAN. In New Orleans. The commission merchants do what dealing we have; we have no direct sales to them. We sell to the commission merchants. I will tell you one thing that happened two years ago——

The CHAIRMAN (interposing). Is it your contention that if independent packers went in there you would not have competition, but that you have competition now?

Mr. MORGAN. I do not say that we do not want packers in there all the time. But is that putting more packers in our town? That is what we want—more packers.

The CHAIRMAN. You would be for this legislation, wouldn't you, if that is the case?

Mr. MORGAN. No, sir.

The CHAIRMAN. Then you do not want additional packers?

Mr. MORGAN. I feel right now that the thing to do is to let well enough alone. That is my attitude. I have seen no grounds for any sort of kick.

The CHAIRMAN. If you have not read the report of the Federal Trade Commission you are easily satisfied, and you are willing to let well enough alone?

Mr. MORGAN. Yes, sir; I am willing to let well enough alone.

The CHAIRMAN. You think you are doing very well at present?

Mr. MORGAN. I am sure that the small producers are. I am sure of that.

The CHAIRMAN. You were just complaining of being robbed of $70 in selling your hogs.

Mr. MORGAN. That was my fault. When we get together a carload of hogs and ship them in it is all right. And if I go into the hog business I surely want a market.

Mr. RAINEY. The packers did not rob you on that transaction, did they?

Mr. MORGAN. No, indeed.

The CHAIRMAN. You want to sell where you can get the best prices?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. And you want competition?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. The contention here is that we do not have competition, or do not have the competition that we should have.

Mr. MORGAN. Well, I do not know how much more we need.

The CHAIRMAN. If there is nothing to that contention then there is nothing to the argument.

Mr. HUTCHINSON. Suppose you had not had any packers at all in New Orleans, you would not have had hogs selling at 19½ cents a pound.

Mr. MORGAN. No, sir; and I don't suppose we would raise a surplus under those circumstances.

Mr. HUTCHINSON. You would have to depend upon local butchers?

Mr. MORGAN. Yes, sir.

Mr. RAINEY. Your experience in shipping cattle and hogs to the market has been that you find competition?

Mr. MORGAN. Yes, sir; but I shipped cattle and I know that we have competition. I know one instance in New Orleans, in the yards there, and I do not know whether it was a Swift buyer or an Armour buyer, but I do know that one of those houses had a representative on the yard that bid 5½ cents for canners, and the commission merchant wired the other man up at Canal Street somewhere that he was offered 5½ cents, and then he was offered 5¾ cents. I know that was true, because I was there.

The CHAIRMAN. Suppose the third packer would come along and raise the price a quarter of a cent; would you object to that?

Mr. MORGAN. No, sir.

The CHAIRMAN. You are for a certain number of packers, but want to restrict the number?

Mr. MORGAN. I am not in favor of any certain packers. Why, I think the gentleman over there says they are all one.

The CHAIRMAN. Who were the Louisiana packers you were referring to?

Mr. MORGAN. Swift and Armour.

The CHAIRMAN. Any others?

Mr. MORGAN. I do not believe there are any others there now.

The CHAIRMAN. You say you are for them?

Mr. MORGAN. I am for the regulation we have there now.

The CHAIRMAN. Would you object to others going into Louisiana?

Mr. MORGAN. Certainly not.

The CHAIRMAN. You would have no objection at all?

Mr. MORGAN. No, sir.

The CHAIRMAN. Why, then, are you opposed to the bill?

Mr. MORGAN. I am opposed to several features of the bill. For instance, to the matter of taking the refrigerator cars away from the packers. I do not believe that is going to help the question. And this bill reads like it is against the packers handling anything. It seems, though, like it has been modified a little.

Mr. RAINEY. Do you favor a commission being appointed?

Mr. MORGAN. No, sir.

Mr. RAINEY. Do you favor licensing the packer?

Mr. MORGAN. No; I am against any form of licensing. In to-day's paper I saw where a commission has over 5,000,000 barrels of flour piled up. That is commission work. I think you noticed it in to-day's paper. That is some of the commission work and some of the failures of it.

The CHAIRMAN. Are you in favor of legislation to improve existing conditions?

Mr. MORGAN. We are always anxious to improve existing conditions if we can, but I do not know that that is going to improve conditions.

The CHAIRMAN. You would be for legislation that would bring about the proper results?

Mr. MORGAN. When a man shows to me it will do it, yes. But I am afraid it will be like some other commissions, which will be full of mistakes, and when they get in there it will be too late and you can not take it back. That is what I am afraid of. I am afraid that the regulating will be irregulation.

The CHAIRMAN. You say you have not read the report of the Federal Trade Commission?

Mr. MORGAN. No, sir.

The CHAIRMAN. Have you read the hearings before the committee?

Mr. MORGAN. Some of them but not all of them. As I told you a while ago we do not object to keeping up with these matters if we have time, but we do not have time to do it.

The CHAIRMAN. All of that is entirely satisfactory to you?

Mr. MORGAN. All of what? All of the testimony?

The CHAIRMAN. Are all the methods and practices alleged in the testimony satisfactory to you and the producers?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. Very well, that is all.

Mr. VOIGT. You represent the Farmers' Union of Louisiana, do you?

Mr. MORGAN. Yes, sir; I was sent up here by the farmers of Louisiana.

Mr. VOIGT. Do you represent the entire State?

Mr. MORGAN. The entire State. You will find my testimony given on the 23d day of August of last year, with a resolution. I have not got that resolution now, but it was given before the committee on agriculture and forestry of the Senate, on the 23d of August, 1919, a resolution passed by a State convention at Opelousas, La.

Mr. VOIGT. Do you hold any office in that organization?

Mr. MORGAN. I am a member of the executive committee.

Mr. VOIGT. What is the membership of your organization?

Mr. MORGAN. In Louisiana it is just hardly—it is problematical as to what we have because the locals are coming in, but I suppose that some 15,000 or 17,000 a mere guess.

Mr. VOIGT. About what is the membership in Texas?

Mr. MORGAN. Oh, I really do not know anything about Texas. I only know about Louisiana.

Mr. VOIGT. Do your members all pay dues?

Mr. MORGAN. Oh, yes, sir.

Mr. VOIGT. You made up your mind that because someone offered $5.50 for your cattle, and someone else offered $5.75 that there was really active competition?

Mr. MORGAN. It seems to me that verifies it.

Mr. VOIGT. You do not understand that this legislation here proposes to put the packers out of business, do you?

Mr. MORGAN. Well, not to put them out of business exactly, but I believe when you cripple the efficiency of the packers you are going to cripple the whole system.

Mr. VOIGT. You do not understand that it is proposed to abolish the stockyards in New Orleans, do you?

Mr. MORGAN. Oh, no. I do not suppose it proposes to abolish them, but I am afraid it will play havoc with them.

Mr. VOIGT. Don't you think if this legislation is passed you will have just as much or more competition on the stockyards at New Orleans as you have now?

Mr. MORGAN. No; I am afraid the experimenet will be a calamity to the country.

Mr. VOIGT. Who do you think will stop the competition?

Mr. MORGAN. Production is stopping now right from this agitation.

Mr. VOIGT. I am talking about competition on the stockyards. Do you think that will be interfered with by this legislation?

Mr. MORGAN. Well, I do not know that I can answer that intelligently, as it were, at what point, but I do know that this agitation going on right now is stopping the small producers—that they do not know what is going to happen. They read something here and there, and they are simply not devoting much attention to producing hogs. And that is the main thing, to produce more stock. In order to reduce the high cost of living we must produce more cattle.

Mr. VOIGT. Do you think this agitation has caused a reduction in stock?

Mr. MORGAN. Yes, sir.

Mr. VOIGT. Do you think it has caused it to drop in price?

Mr. MORGAN. Yes, sir.

Mr. VOIGT. How do you figure that out?

Mr. MORGAN. Well, I hardly know how to figure it out. I guess if you put this law on it will drop more. I have read testimony there where it is said that very few of the large growers are opposing this legislation, and I see, on the other hand, where they claim some of them are heavy borrowers and they buy stuff. They are not even now putting in orders for stock to feed. The banks are nervous, and everything.

Mr. VOIGT. You say, on the one hand, you think this agitation is depressing prices, and on the other hand, you think it is stopping production?

Mr. MORGAN. That will naturally stop production.

Mr. VOIGT. If there is less production of live stock to-day than there would have been in the absence of this agitation, the price would go up, wouldn't it?

Mr. MORGAN. If you had never started any agitation I believe production would have gone on, but I believe the agitation has a tendency——

Mr. VOIGT (interposing). I am not asking you that. I asked if there were more production of live stock to-day the price would naturally go down, wouldn't it?

Mr. MORGAN. Under the conditions existing in the country I do not believe you can produce enough stuff right now. I believe we are short of live stock.

Mr. VOIGT. I am trying to see how you figure out the question of price.

Mr. MORGAN. If there is overproduction, of course, the bottom would drop out. I do not know anything except the cold storage and this great industry that will protect it.

Mr. VOIGT. Will you please pay attention to my questions, so I will not have to repeat them?

Mr. MORGAN. I will try.

Mr. VOIGT. You say this agitation is influencing the drop in live stock; is that your opinion?

Mr. MORGAN. Yes, sir.

Mr. VOIGT. On the other hand you say it has stopped production to some extent?

Mr. MORGAN. Wouldn't it naturally bring down the price?

Mr. VOIGT. Do you mean to say that stopping the production of live stock in this country would bring down the price?

Mr. MORGAN. Right now the producers are not producing the stuff.

Mr. VOIGT. You say they are not producing the stuff——

Mr. MORGAN (interposing). For fear of this pending legislation.

Mr. VOIGT. If they are not producing the stuff in the former quantity, then under the law of supply and demand that would raise the price, wouldn't it? If you have a shortage of a given commodity naturally there is going to be a raise in price; isn't that true?

Mr. MORGAN. Yes; but it seems to me like you and I neither one can understand the other in this proposition. The way I interpret

this is that the future has not got here yet but it is coming, and the rebound will be on you when you want hogs, and they won't be there. At the present time people are not producing. They are afraid of loss, and they are not producing.

Mr. VOIGT. You understand that the object of this legislation is not to take away from the packers the refrigerator cars?

Mr. MORGAN. Yes, sir.

Mr. VOIGT. So that they may not have any refrigerator cars to use, you understand that?

Mr. MORGAN. Oh, they will have them I guess when they can call them in by a commission, and that will be when they get them. I presume that will be it.

Mr. VOIGT. You said you wanted the packers to have refrigerator cars the same as you wanted the farmer to have his wagon?

Mr. MORGAN. Yes; I think it is essential to his business.

Mr. VOIGT. And you would not be in favor of taking away from the farmer his wagon when the farmer needs that wagon?

Mr. MORGAN. Oh, no.

Mr. VOIGT. You want every farmer to have a wagon?

Mr. MORGAN. Yes; those facts have never been brought out in this investigation, though.

Mr. VOIGT. Don't you want every man who could use a refrigerator car in his business to have a car on the same terms as the packers now have them?

Mr. MORGAN. Every man who can use a refrigerator car?

Mr. VOIGT. Yes.

Mr. MORGAN. Yes. And I believe the fruit men should have refrigerator cars. They need them in their business.

Mr. VOIGT. Would you want the packers to have any advantage over anybody else in the use of refrigerator cars?

Mr. MORGAN. Not over anybody else in the use of refrigerator cars; no. I do not know that they have had it, only through the system of the magniture of their business.

Mr. VOIGT. Well, I think you will find that other people have not had the use of refrigerator cars and that the packers have had the use of such cars.

Mr. MORGAN. Do they own these refrigerator cars, these other men?

Mr. VOIGT. They may not be able to own them.

Mr. MORGAN. That brings me back to the question I heard this morning: Whether they believed an automobile man had the right to transport his own automobile? I will say this: That only the very wealthy are buying automobiles, and I know that they can pay the freight. I would not be in favor of that, so that that would be a different proposition.

Mr. VOIGT. That is all I want to ask.

The CHAIRMAN. Are there any other questions? [After a pause without response.] We are much obliged to you, sir.

Mr. RAINEY. I present Mr. Weld. Kindly give your name and address.

Mr. WELD. I can hardly get started to-night.

The CHAIRMAN. It is now half-past 4.

Mr. WELD. It is your pleasure whether I shall go on with it to-night.

Mr. ANDERSON. I am perfectly willing to adjourn if you would prefer not to begin now.

Mr. WELD. I can hardly do more than get started to-night.

The CHIRMAN. Very well. The committee will stand in recess until 10 o'clock to-morrow morning.

(Thereupon, at 4.30 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m. to-morrow, Wednesday, March 10, 1920.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

WEDNESDAY, MARCH 10, 1920

PART 13

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Wednesday, March 10, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Are you ready to proceed, Mr. Weld?

Mr. WELD. Yes, sir.

The CHAIRMAN. You may proceed.

STATEMENT OF MR. L. D. H. WELD, MANANGER COMMERCIAL RESEARCH DEPARTMENT SWIFT & CO., CHICAGO, ILL.

Mr. WELD. Mr. Chairman and gentlemen, I am Mr. Weld, of Swift & Co., manager of the commercial research department of Swift & Co.

I believe that the committee decided to let the witness proceed with his statement and that questions should be asked after he completes his statement. That rule, of course, has not been followed, and I do not care to have it followed in my case, because I want you to ask all the questions that you desire to ask as we go along; I want every point completely established and understood.

The CHAIRMAN. The witness may proceed.

Mr. WELD. I shall, perhaps, stand on my rights to proceed in case any questions are not exactly to the point under discussion, or in case they interfere with any summarization that I am making, or if it is a point that I intend to cover later in my general presentation of the case.

First, I shall give you an outline of my plan of procedure.

Mr. MCISAAC. You are speaking now solely for Swift & Co. during your argument?

Mr. WELD. I am speaking for Swift & Co.

Mr. MCISAAC. Solely?

Mr. WELD. Yes, sir; except where I am speaking of the packing industry in general, but I officially represent only Swift & Co.

First, I want to describe some of the basic facts about the industry, something about how live stock is handled, how the packer can not control the supply of his raw material or name or control the price that he will receive for his products, and under that I shall tell you something about price fluctuations, show that they are inevitable and that they are not caused by the packer, and shall also try to point out why the large packer is necessary.

Second, I shall consider the question of monopoly and show you that there is no monopoly in the packing industry; that the large packers are in competition with each other. That will lead me, third, into the Federal Trade Commission's report, and I shall give you so many instances of unfairness and of misinterpretation of facts and of unfounded conclusions that you can not help to realize that this report can not be relied on as a basis for procedure against this industry.

Fourth, I shall then take up the inaccuracies and inconsistencies in Mr. Colver's statement before this committee.

Fifth, I shall take up the profits of Swift & Co., and that will lead me to a criticism of Mr. Anderson's figures and statements as presented to this committee.

Sixth, I shall explain why we handle other than meat products and explain why it would be injurious to the public interest to pass laws giving any commission power to say what commodities we may or may not handle.

Seventh, I shall take up the question of stockyards, briefly.

Eighth, the question of refrigerator cars, and, finally,

Ninth, I shall point out why legislation is unnecessary and positively dangerous.

Mr. TINCHER. If you will pardon me, you say that you will point out why legislation is unnecessary, because of the dangers, you mean any legislation concerning the packers?

Mr. WELD. I mean specifically the proposed bills, and I shall show why and special legislation singling out the packers is unnecessary and undesirable.

Mr. TINCHER. I beg pardon for interrupting you. That expresses your attitude toward the legislation?

Mr. WELD. Yes, sir.

To come back to my first point, fundamental facts about the packing industry, you all know in the early days before the development of the large packers we had a system of local supply of live stock and local slaughtering. That is, the live stock was raised in relatively close proximity to consuming centers and it was prepared in small local packing houses. You know that as the live stock production developed in the West, due to the natural resources of the West, the fact that live stock could be produced more cheaply in that section of the country, that at first live stock was hauled to the eastern seaboard in stock trains. This meant wastes in paying freight on whole animals and in the deterioration of animals, and many of them died en route. To overcome the difficulties of long-distance transportation of live animals there developed the packing houses in the Middle West which concentrated the live animals at the plants in that section of the country and then shipped dressed meats to the eastern markets.

The development of the packing houses in the Middle West brought up two primary problems, first, the development of a means of transporting the meat, which was solved by the development of the refrigerator car, and, second, the development of a sales outlet for these products, which necessitated the development of what came to be called the branch houses of the packers. The result has been that we have had the development of large packing companies near the

stock-raising regions and the development of stockyards in connection with the packing plants.

You know, in a general way, how live stock is handled in these stockyards. You know that the producers ship their live animals to commission men who attend to the feeding and watering of the animals and use their expert knowledge to get the highest prices possible. You know that there are various buyers in the yards, the buyers of the large packers who, as I shall point out, are in competition with each other, there are the buyers of the small packers, there are the shippers and order buyers, and there are the speculators and dealers.

One of the most striking features of the packing industry is that into these stockyards there is a constant flow of live animals, but in extremely fluctuating quantities. These live animals are the raw material of the packing industry, and the packer has no control whatever over the supply of the raw material that comes to the market. In that respect the packing industry is different from most other industries. The woolen manufacturer buys raw wool only as he needs this raw material; the same with the cotton manufacturer and the flour miller and the boot and shoe manufacturer, who buys the raw material only as they need it; but in the packing industry there is this constant flow of raw material in fluctuating quantities, whether those receipts are large or small, whether the packer really wants to buy anything more. The packers practically have to clear the yards and absorb the receipts, whether those receipts are large or small, whether the packer really wants to buy any more raw material or not. That is one of the striking features of the packing industry—that they can not control the supply of raw material.

Mr. ANDERSON. Right there, Mr. Weld. Of course, I think what you say is technically true; but is not that to some extent regulated by the price itself? That is to say, if the price goes down, naturally less animals are shipped to the market, and if it is up that induces a flow of animals to the market?

Mr. WELD. Yes, sir; that is perfectly true.

Mr. ANDERSON. The proposition works both ways.

Mr. WELD. As the price goes down with increased receipts that tends to discourage shipments to the market. There is, however, no control over that price. That price drops because of the condition of a large supply or of a falling off in demand.

Mr. ANDERSON. Right on that point I want to call your attention to a matter, if I may. You do not object to interruptions? If you do, of course I am willing to wait until you have finished your statement.

Mr. WELD. I do not want to object, Mr. Anderson. It is just a question. In the first place, I should like to have my argument appear in some sort of continuity, and, on the other hand, I want every point cleared up and established.

Mr. ANDERSON. I am willing to accommodate you either way. If you would rather make your statement first, then we can have the inquiries come later.

Mr. WELD. On this particular point, it is a good place to ask such questions as you may have in mind.

Mr. ANDERSON. I have here some excerpts from the Chicago Drovers' Journal, which, I think, are in point with the question you

have discussed. This is an extract from the Drovers' Journal of November 19, 1919, as follows:

Practically all the packers held off till late in the afternoon and the market weakened of its own weight, with the finish to heavy at low point of the day and 7,000 left in the pens.

Here is an extract from the Chicago Drovers' Journal of November 20, 1919:

After a false starts the market was 25 to 50 cents lower than average of previous day, at low point of the month. Closing trade was decidedly weak with an estimated lay over of 20,000 in the pens. Armour's droves, bought late, cost around $13.60, .20 under day's average. * * * Packers were extremely bearish all day, especially the large concerns.

Then, I have an extract from the Chicago Drovers' Journal, November 24, 1919:

Shipping orders were small and most of the packers, especially the larger concerns, waited till late in the forenoon before transacting any business. There was an early top of $14.50 but equally as good sold late around the $14 mark.

Here is another quotation from the Chicago Drovers' Journal of November 25, 1919. This was during the period when the prices were dropping:

The large supply in the pens, together with the fact that packers maintained an indefinite attitude during early trading, had a weakening effect on the market and prices were sharply lower from the start. Trading was generally 75 cents lower than general selling of Monday, while some late sales were fully $1.25 lower than the good time of the previous day. There were practically no shipping orders which gave the packers everything their own way.

Those extracts, if they correctly state the market conditons, indicate that it is possible under given conditions to accelerate or retard the upward or downward movements of prices through coming on the market early or staying off until late in the afternoon; that is, by reducing the bulk during the day.

Mr. WELD. Yes; it is possible to accelerate or retard that movement by the way we buy on the market from day to day. We know what the conditions are in the market and what the conditions in the dressed meat market are, and we know or rather guess what we can probably get for those products; we do not know what we can get, but we estimate from general conditons whether we want to buy heavily or buy lightly, whether to buy live stock in large quantities or in small quantities. We oftentimes are not anxious to buy if we know that we are losing money; that is, week after week, and, of course, we buy at as low prices as we can buy. I hesitate to make that statement, because some people might say that the packers admit that they are buying at as low prices as possible. That is the principle that is carried out by every business man and has to be carried out by every business man if the business man is to be successful, to buy as low as he can and to sell as high as he can, without any collusion with other buyers or sellers. If hogs are selling at 15 cents we may know at once that we will lose money heavily. We can not afford to buy hogs unless they are 14.5 cents, for example, and we naturally hold off until we can buy them at 14.5 cents, and we do that individually; we do not do it in cooperation or in collusion with another packer. At another time we will be short of hogs and of hog meat and you will find other instances in the Drovers' Journal where the packers

entered the market early and bid up the price, because they were anxious to get hogs and cattle.

Mr. ANDERSON. I want to say in this connection that, so far as I am personally concerned, I want to get at the facts, and I do not want to draw any false inference from what the testimony appears to be. I take it that you will discuss later on the regulations of the market?

Mr. WELD. Yes, sir; I shall.

Mr. ANDERSON. Then, I will not ask you about that now.

Mr. WELD. If you want to ask me those questions, I wish you would defer them until after my statement is through.

Mr. ANDERSON. That is all right.

Mr. WELD. Is not that a reasonable request? I want my testimony to appear with some continuity.

Mr. ANDERSON. Certainly.

Mr. WELD. So much for the raw material side of our problem coming in fluctuating quantities; we have practically no control over the supply of raw material. Let us look at the other side. We are turning these fluctuating quantities of raw material into meats and by-products from day to day, and there is therefore a constant flow of these products also in fluctuating quantities to the various markets. Most of these products are perishable. That is an extremely important feature of our business. You take beef, especially; it is perishable and can not be held; it has got to be sold within a few days after the cattle are killed. How can we get rid of these fluctuating quantities of perishable products so as to make a profit? Not only does the supply fluctuate in quantity, but the demand for those products fluctuates from day to day, and that is the point that is generally overlooked in discussions of the packing industry.

Mr. ANDERSON. Will you give us some indication, Mr. Weld, as to the extent of these fluctuations, taking, for instance, say, a city like Washington; there must be a demand which is comparatively constant, and the fluctuation must be above that relative constant demand, I imagine?

Mr. WELD. Let me answer that this way. We are constantly studying this demand at our headquarters in Chicago. We find out that New York, for example, has an oversupply; we find that out suddenly; that the stuff is moving slowly. We find at the same time that, perhaps, Washington is a little bit short and that we ought to have more goods here in Washington. We find that in New York, for example, the demand for choice beef is brisk, whereas the demand for kosher chucks is slack. We find that overnight that situation has changed and the demand for dressed beef is slack and the demand for kosher chucks has become active. We find variations between Manhattan Island and Brooklyn, right there in Greater New York. We find these constant fluctuations in demand in the different markets, due partly to weather changes and to changes in industrial conditions, but due largely to factors that we can not oftentimes explain ourselves. These fluctuations in demand are not shown in retail prices, which remain fairly steady. From our standpoint it is a demand on the part of the retail dealers, whether they are buying briskly or slowly, and the wholesale price—the price that we get in selling to retailers—varies from day to day, and even during the day. Does that answer your question?

Mr. ANDERSON. What I was trying to get at is this, as to the extent of these fluctuations in demand. As I said, I assume in a city like Washington or New York there is a normal fixed demand?

Mr. WELD. There is no normal, fixed demand.

Mr. ANDERSON. It can not go down to nothing?

Mr. WELD. No; there is, of course, a general demand; but that fluctuates to a certain extent, you know, and any fluctuation that results in a change of price of a quarter of a cent a pound is of extreme importance to us.

Mr. ANDERSON. Is that a fluctuation that amounts to 10 per cent of the ordinary supply in the City of Washington?

Mr. WELD. I can not answer that question very definitely. There would be no such change from day to day in the demand at 10 per cent. A 10 per cent fluctuation in demand would probably cause a much larger fluctuation in the price than a quarter or a half of a cent. If the demand should fall off 10 per cent this week it would undoubtedly mean that we would lose very heavily on our Washington shipments. It does not need to fluctuate 10 per cent.

Mr. ANDERSON. I am simply trying to ascertain the facts.

Mr. WELD. I have no statistical knowledge of what it would be here in Washington. Yes; I have some figures on pork-loin prices in New York which illustrate that pretty well. I do not know whether this is a good time to bring that in or not.

Mr. ANDERSON. I think you better bring that in later.

Mr. WILSON. As long as you are on that question, last night I cut out a clipping from the Washington Star which says:

EAT BRISKET, NOT SIRLOIN, TO SLASH H. C. L., IS U. S. PLEA.

WASHINGTON, D. C., *March* 7.

Plans for reducing the American family's meat bill were announced to-day by the Department of Justice, which will urge housewives to turn from the high-priced cuts to less costly portions of the steer.

Fair-price commissioners in every State will be asked to direct an educational campaign, with the cooperation of retailers, wholesalers, and packing companies; and the department will undertake to see to it that the consumer receives good meat at low prices, and that no abnormal profits are taken on the lower-priced portions.

Will such an advertisement as that have anything to do, in your view, with the lowering of the prices of meat products? What has been yourexperience as to the result of such campaigns?

Mr. WELD. I think there has never been any such widespread campaign before. I do not know that I could judge. I would not expect that such a campaign would reduce the average price of all cuts. I think there is a good deal in that, in reducing the individual meat bill, if the people will learn to buy and use the cheaper cuts: and that, of course, in turn, if it really does increase the demand for the cheaper cuts, will probably increase the price of those cuts to a slight extent and might possibly bring down the price of the more choice cuts. That is, if such a campaign were successful to any degree. I think on the whole it would be beneficial.

Mr. WILSON. It would not to the consumer?

Mr. WELD. There would not be any detriment or disadvantage to the producer, because it would not reduce the average price of meat: that is, the average wholesale price of meat or the average price of

meat animals, but I think there is a good deal of merit in such a campaign to get the people to buy the cheaper cuts more frequently.

The CHAIRMAN. Who sent that out?

Mr. WILSON. This is all I know of it.

The CHAIRMAN. It came from the Department of Justice?

Mr. WILSON. Yes, sir; it was in last night's Washington Star.

The CHAIRMAN. Has this campaign against the high cost of living increased the cost of living?

Mr. WELD. I do not think it has reduced it very much; whether it has increased it or not, I am not sure.

The CHAIRMAN. Has not the cost of living increased recently?

Mr. WELD. It has increased in the last year, but I do not think it is fair to assume that that is the result of the campaign to reduce the cost of living.

The CHAIRMAN. It may not be the result of the campaign, but the fact is that the cost of living has increased?

Mr. WELD. Yes, sir. Of course, it has not with regard to meats.

The CHAIRMAN. I am speaking of the cost of living in Washington.

Mr. TINCHER. If the retailer is right in his contention, there is no need of the department making such campaign. That is, they claim that labor and everyone wants to buy the high-priced cuts and that in order to handle the meat they have to charge too much for the cheaper cuts. That is, they can not sell it if they put down the price.

Mr. WELD. I have heard of such instances, but I think they are really exceptional. I have heard of cases where retailers have had to increase the price of the cheaper cuts to get people to buy them, but I think that is exceptional.

Mr. TINCHER. They claim that here in Washington.

Mr. ANDERSON. Taking your entire output as a whole, is there very great fluctuation in that from day to day?

Mr. WELD. Yes, sir; especially as compared with the available supply. You see, even if the demand remains constant, why, the fluctuating supply would cause a fluctuating price, wholesale, of fresh pork, for example. On the other hand, if the supply remained constant, as it does not, the variation in the demand would cause a fluctuation in the wholesale price.

Mr. ANDERSON. You are able to regulate that or to take care of it to a considerable extent through refrigeration?

Mr. WELD. Not for fresh meat; no, sir. We can regulate the marketing of cured pork products, of course, to a certain extent. The prices do not fluctuate so much for the cured pork products as for the fresh products. The fresh pork is even more difficult to handle than the fresh beef.

Mr. HUTCHINSON. Can you not freeze the pork products?

Mr. WELD. Fresh pork is sometimes frozen; that is, pork loins; it is frozen to a certain extent, but a very, very small proportion of our total output, and the same is true of beef. We can control the output of our beef onto the market to a slight extent by freezing a part of it, but there is a general prejudice to frozen meat in the United States. It would be a fine thing if we could overcome that prejudice, so as to make possible a more even sale of our fresh-meat

products, and that would have a tendency toward straightening out the fluctuations in the price.

Mr. HUTCHINSON. In other words, you could take the loins of pork and freeze them and keep them for a month at a time?

Mr. WELD. Yes, sir; we could do that; we do it in the case of fresh pork to a very slight extent, perhaps, 5 per cent of our output. We do it just as much as we can, knowing what the demand for frozen pork is.

Mr. HUTCHINSON. You could put it all in if you wanted to; you would not have to sell it. You said that you had to sell the pork loins, but you could freeze them and keep them an unlimited time?

Mr. WELD. It is physically possible; yes, sir.

Mr. ANDERSON. Please put in the record at this point a table of the freezing space you have, including the cooler space.

Mr. WELD. Yes, sir.

Mr. ANDERSON. I think it has been stated in the record once before, but I should like to have it in here.

Mr. WELD. We have it not handy now.

The point I am leading up to in this discussion of the sale of our meat products is this—a point that has been discussed in the committee during the hearings a number of times—and that is, that we can not control the price of these products that we are shipping to the market. We do not know what price we are going to get for those products when we buy the live animal or even when we ship the goods from our plant. I wish Mr. Young were here, because he went into this especially.

Mr. TINCHER. If you will permit me, that reminds me. I notice that Mr. Young was not here day before yesterday and yesterday morning, and I made inquiry and found that he was sick and confined to his bed.

Mr. WELD. I am very sorry. Mr. Young, and I think possibly other members of the committee, assumed that we knew what we were going to get for our meat products. As a matter of fact, we ship carloads, even trainloads of beef and fresh beef products, and cured products for that matter, from our plants without knowing what price we are going to be able to get for those products. There, again, our business differs from the business of most every manufacturing concern, especially the manufacturers of trade-mark articles who hold a constant price from year to year, month to month. Even other manufacturers that do not have trade-marked articles have a definite price which they put on their goods at their factories or in their warehouses and they hold them until they can make sales at that definite price. With us, we ship the goods from our plants to the distributing houses without knowing what price we will get for them. True, we know the conditions and a certain range of what we shall probably get for those products, but a variation of a fraction of a cent means the difference between a profit and a loss to us. We ship a carload of beef from Chicago to New York. We figure our cost as carefully and as closely as we know how to do it. We figure that this carload of beef cost us, say, 16 cents. We know that if in the sale of that beef in New York we get an average of 16 cents for the whole carload we will just break even. If we get 16¼ cents, we are fairly well satisfied, we have just made our aver-

age profit. If we get only 15¾ cents in the ultimate sale of the fresh beef we have lost money. That frequently happens.

Mr. ANDERSON. On that point, you have a weekly price list, do you not?

Mr. WELD. Yes, sir; we have a branch house price list. It, however, does not include the price of beef. It means the asking price for those products that are quoted. As a matter of fact, the branch house does not hold at all rigidly to that price list. It is able to do so more closely on such products as Premium ham or Premium bacon than it is on fresh pork loins, and beef is not quoted at all in the price lists.

Mr. ANDERSON. But it is the price that the branch house is expected to get for the beef either from day to day or from week to week, I do not know which it is?

Mr. WELD. No. The branch house manager does not even know the cost price of the dressed meat. The general sales managers do know those costs, I believe, as the shipments are made. It varies some as to how the goods are handled, whether any price is put on the goods or not, but so far as the price is put on the goods it merely means that that is the price that we want to get, if we can, and it is not a fixed price, that is to say, fixed for the branch house to get or that the branch house does get.

Mr. ANDERSON. Of course, you do not mean to give the committee the impression that there is any branch house that is left entirely to its own judgment, without any information at all as to what the cost of the beef is or as to what they are expected to get for it?

Mr. WELD. You take it here in Washington. I believe that the branch house manager has no indication at all, and he has to get the best price that he can.

Mr. ANDERSON. I have not understood that that was true. Do you not have a daily telegraphic service by which you advise the branch houses as to the price of beef?

Mr. WELD. We have a telegraphic service to find out what beef is here. I do not think we instruct as to what prices shall be obtained. It would do no good if we did issue such instructions, because the stuff has to be sold at a price that will make it move.

Mr. ANDERSON. The branch house manager in Washington knows the price that beef is bringing in New York or Chicago?

Mr. WELD. He has no way of knowing that.

Mr. CHAPLIN. The branch house manager telegraphs to us in Chicago on each car, what he is selling the beef for. If he is losing money we go after him for selling it too cheaply, and he tries to get more for it. If he can not get any more he keeps on selling. He merely keeps us posted.

Mr. ANDERSON. And you keep him posted?

Mr. CHAPLIN. We determine whether he is getting too low a price, and then we tell him that he has got to get more.

Mr. WILSON. That does not mean that he gets it necessarily?

Mr. CHAPLIN. No, sir.

Mr. VOIGT. Do you not indicate to him the approximate price that you expect him to obtain for the product?

Mr. WELD. In some cases where the meat is handled on what we know as the f. o. b. basis to the branch houses, it is practically sold to them at a definite price and they have that indication of what

they must get. In other cases where it is just shipped without charging the price to the branch house, they do not know what price they have to get; they merely know that they have to get the best price they possibly can.

Mr. HUTCHINSON. Do you not charge the meat shipped to a branch house at a certain price?

Mr. WELD. We keep the cost of all shipments of meat to branch houses and where it is sold on an f. o. b. basis it is charged up at that price. Where it is sold on a commission, it is not charged up.

Mr. CHAPLIN. That is true on the books in Chicago but the branch house does not know. As they sell they keep up advised and when the price is not profitable we try to make them get more for the meat if they can. Their selling price is not based upon cost at all. It is based on the market conditions as they appear day by day. They must keep the meat moving.

Mr. HUTCHINSON. And suppose you send the by-products?

Mr. WELD. In figuring the cost of the beef the value of the cured hides and other prepared by-products are credited in figuring the cost.

Mr. VOIGT. What percentage of your product is handled on commission at the branch houses?

Mr. CHAPLIN. At the present time, that is the last I heard, about two months ago, we had about half of our houses handling on the f. o. b. basis and the other half on the commission basis, on a consignment.

Mr. VOIGT. How was it two years ago?

Mr. CHAPLIN. Fifteen per cent on the f. o. b. basis and the balance was shipped on consignment. We are trying an experiment, because the results on the beef have been so poor. We are trying this experiment to see if we can not get the branch-house managers to sell the beef to better advantage, and so we have divided our business into two parts, one where the branch-house manager has a price quoted on his invoice, and the other where they do not get a price. In both cases they have to sell it strictly on the market. They are both selling on the same market.

Mr. VOIGHT. Is pork handled in the same way?

Mr. CHAPLIN. No; pork is billed to them at a definite price and they sell it at the best price they can get.

Mr. VOIGT. And they are expected to get the billed price or more?

Mr. CHAPLIN. Yes, sir; if they can.

Mr. ANDERSON. How much refrigerator space do you have at a branch house in relation to a day's supply?

Mr. CHAPLIN. We have about, I should say, probably three or four days' supply.

Mr. ANDERSON. How is your storage space compared with your total output per day in Chicago?

Mr. CHAPLIN. We have been running the last year in Chicago——

Mr. ANDERSON (interposing). No; I mean the total output in Chicago; how does that compare with the total storage capacity?

Mr. CHAPLIN. I can not reduce that to a day's capacity. We have not enough cold storage space to run our business. We usually store some goods in outside warehouses.

Mr. ANDERSON. That is an important situation, of course. Suppose you did not have any demand at all, could you take care of one day's supply or two days' supply in storage?

Mr. CHAPLIN. Of fresh beef products?

Mr. ANDERSON. Yes, sir.

Mr. CHAPLIN. No; we could not afford to freeze it.

Mr. ANDERSON. I am talking simply from the standpoint of physical capacity.

Mr. CHAPLIN. We have capacity, I should say, for two days' or three days' killing. We'd then have to stop absolutely. You can not afford to freeze beef, unless it is in the fall of the year, when it is cheaper than at other times, comparatively.

Mr. ANDERSON. I had reference entirely to physical capacity, and not to the economic possibility.

Mr. CHAPLIN. Yes, sir.

Mr. WELD. Well, here we have a manufacturer and distributor, say, Swift & Co., which can not control the supply or price of its raw material, and having to buy every day its raw material whether it likes it or not. The finished product is a perishable product and we are not even able to set a price which our own employees in the distributing houses shall obtain. This naturally results in a fluctuating business with fluctuating results and one that requires the most constant attention and a most careful organization in order to make a profit. That is no better shown than in our year book, which I have passed around, the diagram in the middle of the book, pages 32 and 33.

Mr. ANDERSON. The one for 1920?

Mr. WELD. Yes, sir; the one for 1920.

In that diagram on pages 32 and 33 you will find the average prices that we paid for live cattle in the second line from the top. The top line shows the average prices of dressed meat that were actually realized. The line near the bottom shows the value of hides and by-products, less the expense of preparation, per hundred pounds of beef, and the bottom line shows our profit or loss by weeks. You will notice that the line at the bottom fluctuates from below the zero line to above. You will see that during our most profitable week in the 18 months shown by that diagram, we made a little over 1 cent a pound on beef and that in our most disastrous week, along there in April, we lost nearly 1½ cent per pound on our beef sales. I counted up for the 12 months ending November 1, the last 12 months shown on this diagram, and I believe I found there were 27 weeks in which we made a profit and 25 weeks out of the 52 in which we lost money.

I might say here that our total operations on cattle for 1919 showed a loss for the year. That gives you some idea of the fluctuating character of our business and the difficulties under which we operate in both the purchase of live animals and the sale of our products.

One of the principal complaints, that especially of the live stock producers, is that the price of cattle fluctuates very frequently and very rapidly. I think from what I have already said that it would be only natural that prices should fluctuate under the conditions of a varying supply and the fluctuating demand that exist all the time.

Furthermore, we do not like these fluctuations in cattle and for hog prices any better than does the live stock producer. In fact, we have two sets of fluctuating prices to contend with all the time, that

is, the price of the live animal and the price of the dressed meat—we have two sets of fluctuating prices to contend with all the time, and between those two sets of fluctuating prices we have to get enough to cover our expenses and, if possible, to make a profit.

Furthermore, the flucuations that the producers refer to are much less frequent than they would have you think, and when there are violent fluctuations they are caused by some special circumstances such as extra heavy receipts or, perhaps, our packing houses may be choked with products, so that it is physically impossible to handle any more products. There are many times when we positively wish that we did not have to buy any stuff at all, and yet the live stock keeps on coming to market and we practically have to purchase it from day to day. Then again, the dressed meat market may become suddenly bad.

When you go into the business and realize these difficulties you will realize that the fluctuations on the whole are not at all surprising. In fact, it is a wonder that cattle does not drop three or four or five dollars a hundredweight in a day or two sometimes, and yet a fluctuation of one dollar is extremely infrequent, very rare. Remember also that an extreme fluctuation of one dollar on fifteen dollar cattle or hogs is only a fluctuation of 7 per cent in the price at that.

Another point in this connection is that if you look at the diagram of receipts—I will have one later to show you on hogs, the relation between the receipts of hogs by weeks and the prices of hogs by weeks—you will find that the price remains remarkably constant from week to week as compared with the receipts of hogs.

Furthermore, as I think I have already indicated, the prices of our products also fluctuate from day to day and from week to week; they fluctuate from day to day, just as do the prices of live animals, but not quite to the same extent, because we can take up a little slack even in the sale of our fresh meats; that is, we can even out the supply to the markets a little better than as they come to the market. A rather extreme instance, perhaps, of the fluctuation in prices of fresh meat, and yet one that shows the problem we are up against in the sale of fresh meats, and the fact that the prices do fluctuate, is illustrated by our experience with pork loins during the last few months.

For example, the sale of pork loins in New York City on August 20—the average price that we actually got for pork loins was 36 cents. The next day, August 21, it was only 32.5 cents, a variation of 3.5 cents in the price of pork loins in one day. On September 23 we actually obtained 34.5 cents for pork loins, and on the next day, September 24, we only got 27 cents, a drop of 7.5 cents in the price that we got for pork loins overnight. That gives you some idea of the fluctuation in the prices of fresh meats, so that the fluctuations in the prices of live animals are not at all to be wondered at.

I will later show you a diagram of prices of pork loins, which will bring that out very clearly.

Mr. RIDDICK. What fluctuation was there, if any, in the retail price?

Mr. WELD. I do not know. All I know is that the Bureau of Labor Statistics has shown a gradual fall in retail prices of meat up to December, I think, the last month for which prices were

available; but we keep no accurate record of retail sales, because we have nothing to do with them whatever.

Mr. RIDDICK. As a matter of fact, the retail price does not fluctuate so much?

Mr. WELD. It does not. The retail price remains fairly constant, while the wholesale price is fluctuating very frequently.

Mr. MCISAAC. Can you state what days of the week August 20 and August 21 were?

Mr. WELD. No; I can not.

Mr. MCISAAC. Or September 23 and September 24?

Mr. WELD. No; it would be very easy to look back and find out what days they were.

Mr. MCISAAC. I was wondering if one of the days was Friday.

Mr. WELD. Very likely, probably it was, which is a very good illustration of the difficulties we have. For example, we get along toward the latter part of the week and have a supply of fresh pork loins and we have absolutely got to drop the prices so as to make them move.

Mr. MCISAAC. Of course, you have Friday in every week and so you have an opportunity to anticipate that condition?

Mr. WELD. We do it as well as we can, but we can not do it perfectly, by any manner of means, as shown by the very violent fluctuation in prices.

Mr. ANDERSON. I was out of the room for a moment. Have you been discussing the question of the increase in price?

Mr. WELD. I have only been pointing out some extreme variations in the price of pork loins. I shall come back to the matter of pork loins later on, Mr. Anderson.

Mr. ANDERSON. With regard to your chart for 1919, in the 1920 yearbook, apparently your loss on beef is coincident or it began about the time that the rise in the price of cattle began—that is, about the middle of January, January 18—and that loss apparently continued until the price of beef practically got back again to where it was in January and from that time on your price——

Mr. WELD (interposing). You mean the first of the year?

Mr. ANDERSON. Your loss apparently is coincident with the period between January 18 and May 3, coincident with the rise in the price of beef and at the same time with the drop in price of by-products.

Mr. WELD. The drop in the price of by-products?

Mr. ANDERSON. Yes, sir. I should like to have you explain that rise in the price of by-products which continued after March 26 and which is coincident with the drop of about $3 a hundred in the price of beef.

Mr. WELD. I plan to go into that, Mr. Anderson, and I shall be glad to explain that when I come to it a little bit later.

Mr. ANDERSON. Please be sure not to forget it?

Mr. WELD. I shall not forget it, because it is one of the principal things that I want to explain to every member of the committee. That is not a difficult matter to understand. It is one of the very best proofs that demand and supply determine the prices of commodities, when properly understood—one of the very best proofs that can be found.

Mr. McIsaac. Before you get away from that subject let me ask you——

Mr. Weld. I am not away from it yet. I still have something to say on it.

Mr. McIsaac. As to New York, if one of the days was Friday the drop there was because a very large proportion of the population of New York does not eat meat of any kind on Friday, wasn't it?

Mr. Weld. Of course, our wholesale sales do not occur the same day that the consumers buy, as far as that is concerned.

Mr. McIsaac. But the particular drop that day was because there was not as great a demand on that day, and that is not a novel condition but a regular weekly normal condition.

Mr. Weld. I do not believe that is true. Of course, the purchasers from the retailers for Friday's consumption represented sales of meat by our branch houses along about Tuesday or Wednesday.

Mr. McIsaac. Yes; but isn't it a fact that because the sale of meat itself is not so great on Friday that that is not an abnormal but a normal condition?

Mr. Chaplin. This decrease in price was undoubtedly due to an abnormal condition.

Mr. McIsaac. That is reflected in the demand on you for a supply of meats for that day.

Mr. Weld. The supply of meats for that day is purchased two or three days before that. But even so it illustrates the variation in demand and results in a variation in the price of our product at wholesale.

Mr. McIsaac. What I want to say is that this is not a sudden or abnormal fluctuation.

Mr. Weld. Perhaps not.

(At this point there was a call of the House and a number of the members of the committee left the committee room.)

Mr. Weld. Mr. Anderson, may we hold up a few minutes until the members return?

Mr. Anderson (presiding). As far as I am concerned if you prefer a recess for half an hour, all right.

Mr. Weld. Will it take that long?

Mr. Anderson. I do not know, but think it might.

Mr. Weld. Well, it is just a question of whether I shall talk to the blank walls of the room or shall wait a little while for the members to return from the House.

Mr. Anderson. Of course, I am going to stay here and listen to you if you continue, but at the same time I appreciate the fact that a number of the Members have gone over to the House to answer to the roll call and that you would prefer to have a larger number of the members present to hear you.

Mr. Wilson. I think it would be better to have a recess of 15 minutes or half an hour.

Mr. Anderson. Without objection the committee will stand in recess until 11.30 a. m., it now being 11.15 o'clock a. m.

AFTER RECESS.

The committee resumed at 11.55 o'clock a. m. pursuant to recess.

Mr. Anderson (in the chair). You may resume your statement, Mr. Weld.

Mr. WELD. I had just been explaining the price fluctuations that occur in the live-stock market and in the dressed-meat market, and have been showing you that this matter of prices is utterly beyond our control, and that it requires a constant fight on our part, the most constant study and supervision of our business, in order to be able to realize our small margin of profit between the price of live stock and the price we get for the dressed meat. In fact, I believe it ought to be evident that instead of being responsible for price fluctuations the existence of the large packer undoubtedly tends to steady prices. And this is for two reasons: First, because of our ability to absorb the receipts from day to day, even if they do fluctuate very greatly from day to day and from week to week. What do you suppose would happen in the live-stock markets if there were not these large packing companies to take care of this abnormal fluctuation in receipts? And, second, I believe that we have a steadying influence on the live-stock markets because of our widespread selling organization, which insures the finding of the best possible market for the meat products.

I do not know whether you gentlemen realize how complete and far-reaching our organization is for supplying these various markets with dressed meats. Swift & Co., for example, have some 400 branch houses. We are in constant telegraphic communication with these branch houses, as was brought out previously. We are steering our supplies of meats into those markets where the demand is greatest. And I have pointed out that the demand fluctuates greatly from day to day as between the various markets as well as in the same markets. In other words, we are finding the very best possible outlet, and the widest possible outlet, for the products of live stock. We are using our utmost skill and ingenuity and experience, as well as physical equipment, in order to do this as perfectly as possible. But in spite of those pains that we take to find the best possible outlet we are at most making only our fraction of a cent a pound profit.

The point I am making in this connection, however, is that by furnishing that outlet, that market, the very best and widest possible market, we believe that we have a steadying influence on the price of live stock and of meat products, rather than the reverse. So that instead of blaming the packer for the fluctuations that occur in the live-stock market it should be realized that the very existence of the large packer, with his ability to absorb the fluctuating receipts, and furnishing the best possible market for the dressed-meat products, tends to steady prices rather than the reverse.

You say that the farmer has to ship his cattle without knowing what price he will get. That is very true. At the same time, we do not know what price competition is going to force us to pay for the live stock that is shipped; and what is more important, as I have already pointed out, is that when we buy live stock we do not know what we are going to get for the products thereof. It is a matter utterly beyond our control, and the surprising thing is that prices do not fluctuate more than they do.

These are extremely important and fundamental facts in connection with our business, and until they are properly realized a person can not really think or talk about the packing business with any very great degree of fairness. These are extremely important fun-

damental facts; there is an extremely fine adjustment in our whole business; we are working as best we can from day to day and using every possible means to get market information, so as to buy our live stock to the best advantage and sell the product thereof to the best advantage. As the net result, we make this tiny profit of a fraction of a cent a pound.

I wish you would bear that in mind in connection with the question of legislation, in connection with a commission which shall have power to regulate our business, which shall have power to say whether we are doing things properly or not doing them properly, or shall have power to say whether we shall do a certain thing in this way or in that way. Until you realize the delicate mechanism we have and the constant attention to detail that is necessary you can not realize what danger might lurk in power given to political appointees who might have no exerience, might have no knowledge of the packing industry.

Now, gentlemen of the committee, another fundamental matter, and one that has been brought out here a number of times, is the relation between the larger packer and the small packer. Mr. Anderson, for example, says he is opposed to the centralization that has taken place in the packing industry, and he wants more packing houses in the producing sections of the country. Mr. Colver has even stated that, measured by profits, the large packer is not even as efficient as the small packer, because many of the small packers have made larger profits than the big packers during the last two years. Mr. Anderson also presented figures to show that packing-house expenses have increased, and that therefore benefit from centralization has not been realized. He also presented some profit figures along that line. I shall discuss this question more in detail a little later, and will then endeavor to show inaccuracies in the figures Mr. Anderson presented.

Mr. Anderson also presented a map which showed that certain States produce and market more cattle than they slaughter or consume. The lesson from this map was not particularly clear to me, although I suppose it was meant to show that there should be more packing houses in the States where live stock is produced in surplus quantities. But I believe I can explain this map, or the lesson taught by this map, so as to show that the large packer is necessary.

Mr. ANDERSON. Has anybody raised any question about that?

Mr. WELD. About what?

Mr. ANDERSON. The necessity for the existence of the large packers?

Mr. WELD. You have objected to the centralization which you say has taken place in the packing industry, and it has been urged before this committee that there should be more small packing plants in the producing sections of the country. I think you yourself have said there should be more packing plants in the producing sections of the country, and the lesson from such a statement is, I imagine, that the organization of the packing business at the present is not as perfect as it should be, and is not adjusted to economic conditions as well as it might be.

The problem of operating a packing plant is twofold: First, there must be the greatest possible efficiency in the manufacturing operation; and, second, there must be an adequate and efficient system

distribution. Now, gentlemen of the committee, as you know, and as Mr. Anderson's map points out, the bulk of the live stock is raised in the West, and the great majority of the consumers are living in the East. It is necessary to assemble the live animals in or near the regions of production, and to operate packing plants so as to obtain the greatest possible economy in the use of labor and machinery and in the utilization of by-products. It is necessary, moreover, for such plants to have widespread selling organizations, consisting of these branch houses, and to create car routes—that is, refrigerator cars, that go out from the plants and drop shipments at small towns that are not reached by the branch houses. And I have already mentioned, Swift & Co. have some 400——

Mr. McLAUGHLIN of Michigan (interposing). In this country?

Mr. WELD. Yes, sir; in this country. And we send out over 500 refrigerator cars every week, that drop shipments at small towns that are not reached by the branch houses.

Mr. ANDERSON. Do you operate motor-car routes?

Mr. WELD. We do to a certain extent, from our branch houses.

Mr. ANDERSON. Is your motor-car-route system as extensive as that of Armour's?

Mr. WELD. I believe not.

Mr. CHAPLIN. It is not extensive at all.

Mr. ANDERSON. I have heard it said that Armour's motor-car route reached 20,000 towns.

Mr. WELD. I do not know about that.

Mr. LIGHTFOOT. They reach a large number but not the number that was stated.

Mr. ANDERSON. I heard that stated but did not know whether it was accurate or not.

Mr. WELD. Of course, we make deliveries from our branch houses by means of motor trucks, and go into the suburbs of cities in which our branch houses are located.

Mr. WILSON. Mr. Weld, before you leave that question of cost of production and efficiency of production in the organization of the big packers as compared with the small packers, let me ask: Is it possible for a small concern to manufacture meat products as cheaply as a large concern?

Mr. WELD. Well, I am not through with that subject, and think. perhaps, I will touch on that sufficiently a little later on.

Mr. WILSON. All right; you may continue.

Mr. WELD. If I do not answer that question in sufficient detail, please ask me a little bit later, will you?

Mr. WILSON. All right.

Mr. WELD. The point I am trying to make is this: That the small packer can not possibly sell efficiently in distant markets. In order to sell in distant markets at all you have to sell products either through independent wholesalers or other middle men in order to reach the consumer, or through you own branch house selling organization. Now, to illustrate, we will say that a concern is located out West, a small concern, and he can not operate through one or two or three branch houses a thousand miles away in the East. The demand fluctuates to such an extent, and conditions change to such an extent from day to day, that a concern out West selling in the consuming markets of the East must have a pretty widespread outlet

in order to steer his shipments to those markets where the demand is the greatest. A small packer must be located near a local supply, and he must also have a fairly large local market. He can not distribute efficiently over a very great distance. He can not afford such a distributing organization as we have. The small packer can, undoubtedly, do the local business and sell within a relatively limited radius around his plant just as cheaply as can the large packer; and he can do it more cheaply than the large packer can do his long-distance business, which involves paying freight hundreds and in many cases over a thousand miles in the United States.

Take, for example, over here in the city of Baltimore: This part of the country produces a certain amount of live stock, but not enough to supply Baltimore. There is a place for the small packer to handle this local supply and to distribute his products in and around Baltimore, and there are a dozen or so packers who are doing it. But Baltimore has to have meat from Chicago and from Omaha and from St. Louis. The large packer has to perform the very necessary function of getting the meat out West and paying the freight on it to Baltimore, operating a branch house in Baltimore, having a corps of salesmen and accountants, and delivering same in delivery trucks, and has to do all that in competition with the small packer located in Baltimore, who has a local supply, and who does not have to have the widespread selling organization that we must have. In other words, gentlemen of the committee, the large packer and the small packer are not comparable as to either expenses or profits. The large packer has to do a much more extensive service than does the small packer. So that because certain small packers have made larger profits than the large packers is not evidence in any way that these small packers are necessarily more efficient than the large packers. It so happens that——

Mr. ANDERSON (interposing). Well, right there: It is not altogether a question of efficiency but it is a question to some extent of economics. Admitting that the large packer is a necessity in the situation, isn't it also true that from an economic point of view the small packer is a desirable economic factor?

Mr. WELD. Yes, sir; he is a desirable economic factor and there is a place for him. He is necessary and he lives and is prosperous today and he will continue to live and be prosperous.

It so happens that Swift & Co. have some 22 plants throughout the United States, located so as to bring about the best relation, so far as we can make out, between the source of raw material and the location of consuming markets. It so happens that we have experts studying that problem all the time. Mr. Anderson seemed to think that there had been no benefits from the centralization——

Mr. ANDERSON (interposing). Oh, I did not say that, at all.

Mr. WELD (continuing). As judged by the figures that he presented to this committee. Yes, Mr. Anderson, you said that the benefits of centralization apparently were not evident; had not accrued.

Mr. ANDERSON. In the lessening of the cost of production, yes.

Mr. WELD. You were going into that to bear out your objection to the centralization that had occurred in the packing industry, and I am telling you now that we are studying that problem all the time, that we are locating our plants so as to bring about the very best possible

djustment that we know how to bring about between producing ections and consuming centers. And if you have any practical sug- estions as to how we can do it any better, we will be very glad to onsider them at any time.

Mr. ANDERSON. If you have men paid for that work, you certainly lo not want any suggestions from this committee.

Mr. WELD. To summarize with regard to the small packer in the roducing sections, I have already pointed out that he has to have a arket available, but the very definite disadvantages that the small acker out in the producing sections would have, are, first, he would ot have a regular supply of live stock. You have to have access o a large market, or live stock coming from a pretty large territory; econd, he would not have a sufficient assortment of animals and rades of animals. A packing plant to satisfy the demands of the onsumers, and to operate efficiently, has to have both cattle and ogs and has to have different qualities of cattle to supply the differ- nt demands; and where a plant draws on a relatively local supply t is hard to get that assortment; third, he has the disadvantage if e is located out in the country in producing sections of not being ble properly to utilize by-products, and in getting sufficient labor, roperly specialized, in order to bring about economic production; nd, fourth, he is not likely to have adequate shipping facilities, be- ause you must be on or near a junction of railroads in order to ship aterials to various markets and get a widespread distribution; and, nally, he can not market his products efficiently in distant markets ecause he can not afford the distributing system that the large acker has and that any packer must have in order efficiently to arket his goods.

Mr. WILSON. In order to create efficiency isn't it necessary that a lant should be in operation regularly?

Mr. WELD. Yes, sir; practically all the time. That is one difficulty hat a packing plant has that draws its supply from a very small ection—the supply is not as regular as it is in the large central live- tock markets.

Mr. WILSON. If a plant were to be closed a day or two or a week, hat would it mean?

Mr. WELD. That would be a very serious matter, because the over- ead expenses are still going on.

Mr. WILSON. The overhead charge would eat up the profits to a reat extent?

Mr. WELD. Yes, sir. Now, Mr. Chairman, I am going into the uestion of monopoly, and if you want to recess at this time, I shall e satisfied.

Mr. MCLAUGHLIN of Michigan (in the chair). The committee will tand in recess until 2 o'clock.

(Whereupon, at 12.25 o'clock p. m., the committee recessed until o'clock p. m.)

AFTER RECESS.

The committee met persuant to recess at 2 o'clock p. m.

Mr. MCLAUGHLIN of Michigan. Mr. Weld, the committee is ready or you to proceed.

STATEMENT OF MR. L. D. H. WELD, OF CHICAGO, ILL.—Resumed.

Mr. WELD. The next question I am going to take up is the question of monopoly.

The Federal Trade Commission has, of course, said that there is a combination between the packers, and it is this feeling which is perhaps the foundation rock of the whole agitation against this industry. Members of the committee refer to monopoly sometimes in the packing industry. You refer to the control over prices or over certain commodities.

Now, I am going to show you that the Federal Trade Commission has not established its case, that there is monopoly in the packing industry. I am going to show you that the packers are in competition with each other.

The Federal Trade Commission assumes from certain material that it has, especially in part 2 of its report, that it has established the fact that there is monopoly, and all the way through the rest of the report it refers to the Big Five, and uses the word "control" to insinuate, at least, that the five large packers are acting together, and that they control prices of various commodities.

I might say that when I first went with Swift & Co. I believed, from independent studies I had made, that there was an open, competitive market in live stock and meat, but I told Swift & Co. that unless they could absolutely assure me that there was no kind of agreement or collusion with other packers to affect the prices of live stock or meat, I would not think of going with the company and representing it. They, without hesitation, gave me the assurance that there was and is no collusion, no agreement, no understanding of any kind with any other packer to affect the prices of live stock or meat, and I make this statement for Swift & Co. now, that we have no form of agreement with any other packer to affect the prices of live stock or meats, or of any other commodity.

Mr. MCLAUGHLIN of Michigan. You have found their statements to that effect to be entirely true, have you?

Mr. WELD. I was going to say that since I have been with the company, I have had plenty of opportunity to see the rivalry, the competition, sticking out just as obvious as can be, right along, all the time.

Mr. experience has strongly confirmed what I believed was the case before I went with Swift & Co. and what Swift & Co. told me was the case when I began to represent that company.

Mr. MCLAUGHLIN of Michigan. When did you engage with them?

Mr. WELD. Two years and a half ago.

Mr. MCLAUGHLIN of Michigan. What was your work before that time?

Mr. WELD. I was a professor of economics; professor of business administration was my title at Yale University. Previous to that I had been at the University of Minnesota, and there had made first-hand studies of marketing of live stock in St. Paul.

I might also say in that connection that there has been some suggestions as to my attitude on this question before I came with Swift & Co., and you may possibly remember a book that I wrote on the marketing of farm products where I devote a few pages to the question of the packing industry and live-stock marketing, and it

there is any question about what my attitude was on this question before I went with Swift & Co., you can find it on pages 199 to 208 of that book.

I have read those few pages through within the last few days for, I think, the first time since I came with Swift & Co., and I was very much surprised to find out how much I had learned about the packing industry some two years before I entered the employ of Swift & Co. I find that my concluding sentence of the discussion on the packing industry reads as follows:

> From these figures it is perfectly safe to conclude that the net profit per pound of beef taken by the packer is an unimportant item of the spread between producer and consumer, and that he makes his return on the capital invested by doing an enormous volume of business.

That was in discussing the relation of the packers' profits to the prices of meat.

Mr. McLAUGHLIN of Michigan. That book was written about two years before you went with Swift & Co.?

Mr. WELD. That book was really written in 1915. I think it finally appeared from the publisher in 1916, and I think the copyright is dated 1916. I entered the employ of Swift & Co. in 1917, the summer of 1917. The book was written practically two years before I entered the employ of Swift & Co., and before I had any idea I would be connected with the packing industry.

As I have said, when I got into the business—and I will say that when anybody gets into the business and studies it first hand, he will find plenty of positive evidences of the rivalry and of the competition that exist between the various packers.

This fluctuating profit on beef that I called your attention to this moring, as shown in that diagram in the Yearbook, is pretty good evidence in itself. It is a pretty poor sort of a combination that can not work out beef results any better than we have been able to do.

The number and the importance of the smaller packers is generally overlooked. I shall give you some more definite figures on those later, but I will say now that in addition to the 230 odd inspected houses that there are outside of the large packers, there are several hundred others that are reported by the Census Bureau, making some 1,000 in all, and many of them are of very considearble size. I will give you some definite figures on those later; and they are competing in all the big markets with us for live stock.

The number of shippers and speculators in the yards who always stand ready to jump in when they think the price is the least bit lower than it ought to be or lower than it is as compared with some other market, is another evidence of that competition, and also in the sale of our products, the way the buyer shop around from the branch house of one packer to the branch house of another.

You know that we all compete in the same field, in the same cities, in the sale of our products, and each packer will have his branch house. If there were not competition, it might pay in some cases to combine our outlets into one branch house. There may be some losses from competition in that case in duplication of sales houses and sales equipment, delivery equipment, etc.

Mr. ANDERSON. Is it still the practice where the different packers have branch houses for the employees of one branch house to visit

the plant of the other to inspect the stock and determine how much they have on hand and all that sort of thing?

Mr. WELD. We try to keep as much of a line as possible on what our competitors have; yes. We do not do it in any regular or methodical fashion, however. The branch houses of the packers are practically open, public markets, into which anybody can go, and in figuring on conditions in the market and how much we will need in a particular market next week, we try to keep a general line on what our competitors have, in so far as we can see it.

Mr. ANDERSON. There is a general exchange of information between them, then?

Mr. WELD. There is no general exchange of information; no, sir. There may be an informal exchange; one man will say to another. "I got in so many carloads this week," or something of that sort. but there is no regular exchange of information.

Mr. ANDERSON. I had a letter within the last week, I think from a butcher at Scranton, Pa., in which he called my attention to the fact—I think there were three packers doing business there—and he said that the prices of the three were invariably the same.

Mr. WELD. Undoubtedly, they are very nearly the same. As I tried to point out in a little cross-examination the other day, it always works out that way in every competitive market, that the prices of different competitors for the same quality of stuff at the same time are generally practically the same. The fact, however, that the retail butchers find it worth while to shop around from the branch house of one packer to the branch house of another shows they are not exactly the same. They are very nearly the same.

Mr. RAINEY. Is it not true in all lines of industries competitors usually keep a line on the other fellow in an effort to find out what he is doing?

Mr. WELD. Of course, it is done in every industry and is a perfectly legitimate thing to do.

That is a good example of the Federal Trade Commission's attempt to show collusion between the packers. There is nothing done there but what is perfectly legitimate and perfectly open. For an outsider to read that without knowing the circumstances, it looks as though there is very damaging evidence against the packers.

Now, as a matter of fact, so far as agreements with other packers are concerned, we actually lean backward in that respect. We do not do things that people in other trades very commonly do. In other trades it is a very common thing for them to have a methodical, regular exchange of information as to prices and as to costs and as to shipments. It is a very common thing in a great many manufacturing industries and wholesale trades for them to have what are called open-price associations, where various competitors formally report to a central bureau what their shipments were the last month, what prices they got, what the output of their plants was, etc. There is nothing of that kind in the packing industry. We would not dare to do it even if we wanted to, although so far as the law is concerned, and so far as general practice is concerned, it is perfectly legitimate. But there are things like that that it might be worth while for us to do but we definitely refrain from doing them for the simple reason that we do not want to make any appearance of a combination or of agreement in restraint of trade.

But you say, some of you, that even if there is no agreement or undertaking, we achieve the same results as if we had one. I think you made that statement, Mr. Anderson, before the committee the other day. But what evidence is there that we achieve results that would be obtained by an agreement or by a monopoly? Can you show any specific instances of where the price has been artificially manipulated? Can you prove that stockmen have been paid too little as compared with the price we have been able to get for meats and by-products?

Of course, you realize that all this talk of the cattlemen about losing money has absolutely nothing to do with the case unless they can prove that we have not paid as much for live stock as the live stock was worth, considering the prices we could get for meat and by-products. Can you show that the profits in the packing industry are any larger than in any other competitive industry? We can show you that it is smaller compared with sales than almost any industry in the country. We can show you that as compared with investment it compares only favorably with other manufacturing institutions.

Can you show any industry where the profit has such a small effect on the price? Can you show in any way that we control the supply?

Now, you may say, as does the Federal Trade Commission, that we divide the receipts, but I am coming to that in just a minute, and I will show you there is no proof either of monopoly or of agreement.

These questions I have been asking you are the questions that one ordinarily asked when he is trying to find out whether there is any monopoly in an industry; whether there are any affects on prices or profits that indicate that there has been any monopoly, any restraint of trade.

I am saying to you that you can not point out any results, any evidences in the way of manipulated prices or of extortionate profits or anything of that sort which indicates that there is any monopoly or any agreement in the packing industry.

Mr. ANDERSON. What do you mean when you say monopoly? What is your definition of monopoly, in your own mind?

Mr. WELD. Well, my definition of monopoly is one concern, or a group of concerns acting in collusion, who control a sufficient amount of the supply of a commodity to be able to artificially affect the price.

Mr. ANDERSON. If Swift & Co. stayed out of the market for one day, that would affect the price, artificially?

Mr. WELD. The demand of any individual large concern has an influence on price, in so far as it affects the demand for the product, but that is not any artificial affecting of price through collusion. A concern that handles only 5 per cent of the output of a commodity, if it stayed off the market for a day, would affect the price. You might not be able to measure it, but it would be able to affect the price.

Mr. ANDERSON. Of course, I do not think anyone accuses you or any one of the Big Five of doing anything so crude as to make a daily or weekly or monthly agreement in respect of prices that you will pay for live stock or prices you will get for your products, so that any argument which is based on that theory, I take it, is without point.

Mr. WELD. I am pointing out that there is not only no such agreement, but that you can not point to any manipulated prices or any widened margins of profit or any control of the supply or any kind of artificial manipulation at all that will bear out the charges that there is any monopoly or any restraint of trade.

The CHAIRMAN. Speaking of profits, what have you to say as to the excessive overhead charges?

Mr. WELD. What do you mean by excessive overhead?

The CHAIRMAN. It is generally charged that the overhead charges are excessive in the big plants, and that much money is spent unnecessarily, and spent also in driving others out of business, in buying and selling in certain sections at a loss, although a great profit is made in other sections.

Mr. WELD. That is a little—I do not know but what the last question does bear on this particular point, but as to the alleged excessive cost that you speak of, I will be glad to come to that later, especially when I point out the inaccuracies in Mr. Anderson's figures that he presented to the committee.

As for the other charge, I will merely say now that it is not true that we sell lower in one market and recoup in another, and that there is no evidence whatever to show that we do that. I will also say that if we did do that, the Clayton antitrust law amply takes care of such a situation.

The CHAIRMAN. Your prices then, Mr. Weld, are practically uniform? Of course, they do vary some.

Mr. WELD. Yes; they vary with freight rates to market and with local conditions, and those local conditions oftentimes mean competitive conditions.

The CHAIRMAN. What do you mean by competitive conditions? Do you mean that it is necessary for you to sell at a loss in order to drive out others by competition?

Mr. WELD. No, sir; I do not mean any such thing. I mean necessary to meet competition in a fair and square way.

The CHAIRMAN. That is all.

Mr. ANDERSON. It is not denied, is it, Mr. Weld, that there were certain agreements existing between the Big Five or their predecessors in interest during the period from 1885 to 1902.

Mr. WELD. That is not denied; no, sir. There were agreements among the packers up to 1902 to control the shipment of fresh beef to various markets so as not to cause recurrent gluts and scarcities in the different markets. When that matter was under consideration and investigation in 1902, we discontinued that practice. At the same time, there was an injunction issued restraining us from doing certain things, but specifically permitting us to allocate shipments to different markets to prevent recurrent gluts and scarcities, if we desired to do so; we did not care to do so, however, because of the criticism that there was at that time, and since 1902 there has been no agreement between Swift & Co. and any other packers to allocate shipments to various markets or to affect prices in any way; and those agreements prior to 1902, nearly 20 years ago, were not agreements on prices.

Mr. ANDERSON. There was a merger attempted between the Big Five, or at least some of the Big Five, following that period, was there not?

Mr. WELD. Yes, sir; in 1902 or 1903 there was a movement to merge the large packers and to form one large single corporation, just as was being done at that time in other industries, just as the Steel Corporation was organized at that time, and just as in that period, from 1898 to 1902, many of the largest consolidations in the country were formed. There was one planned in the packing industry, but it was never carried through. The difference between the packing industry and the tobacco and the steel industries in that respect is that consolidations were formed in those other industries and no such consolidation was formed in the packing industry, and none has been formed since.

Mr. WILSON. And nearly all of our institutions were organized for that same purpose, were they not?

Mr. WELD. Yes, sir.

Mr. WILSON. And a great many of them at that time?

Mr. WELD. Yes, sir; there was an era of combination then for three or four years.

Mr. ANDERSON. Subsequent to that time you organized the National Packing Co., which was a combination of some of the competing concerns, I think, which competed with the Big Five at that time. I do not recall the date of that.

Mr. WELD. That was formed at just about that same time, I think, in 1903. There were concerns that had been bought up by the different packers with the idea of merging them in this one large corporation which did not go through. These smaller concerns had been bought up at that time, and when the merger failed to go through these smaller concerns were organized into a separate company.

Mr. MCLAUGHLIN of Michigan. They were bought up by the Big Five?

Mr. WELD. Yes.

Mr. VEEDER. May I explain about the National Packing Co.?

Mr. WELD. Mr. Veeder knows more of the details, if you wish to go into the details of that matter.

Mr. VEEDER. I think I can make one statement that will perhaps clear that up. Those 15 or 16 small concerns that were bought up in 1903 were bought by individuals, not by the five packing companies, with the expectation of turning them into the proposed holding company to be organized to take over the five big packing companies along with those smaller concerns that had been bought by the individuals. When the organization of the large company fell through, the individuals found themselves with these smaller concerns on their hands. In order to properly organize them and handle them the individuals organized the National Packing Co. and turned over these small concerns to the National Packing Co. in exchange for the stock of the National Packing Co. The National Packing Co. continued to operate, owned as it was by the individuals, until August, 1912, at which time the properties were sold and the National Packing Co. went out of business. Its capital stock was reduced to the sum of $5,000 for the purpose of keeping the corporate existence alive, in order to meet any obligations which that corporation had incurred prior to August, 1912, and to perfect any title that might have been accidentally defective in the transfer of the properties in August, 1912. That $5,000 corporation has done no business

since, and as soon as we are clear and are sure that there are no further titles to perfect and no further obligations outstanding, its charter will be surrendered.

Mr. McLAUGHLIN of Michigan. You say as soon as "we" are sure.

Mr. VEEDER. I mean by that the attorneys for the individuals who own the stock.

Mr. ANDERSON. The stock was owned by Armour, 40 per cent; Swift, 46 per cent; and Morris, 13 per cent?

Mr. VEEDER. The stock was owned by Mr. J. O. Armour and the estate of Mr. G. F. Swift and the estate of Mr. Edward Morris, in the proportions——

Mr. ANDERSON (interposing). Approximately 40 per cent, 46 per cent, and 13 per cent.

Mr. VEEDER. Yes.

Mr. McLAUGHLIN of Michigan. Was that stock acquired by those individuals whose names you gave at the time of the organization of that company or later?

Mr. VEEDER. At the time of the organization of that company.

Mr. ANDERSON. They previously owned the subsidiary companies that were merged into the National Packing Co.?

Mr. VEEDER. These three individuals—originally Mr. G. F. Swift, who died in March, 1903—the three individuals, J. O. Armour, G. F. Swift, sr., and Edward Morris, sr., at the time they were contemplating the organization of the corporation to take over the five large packing companies, bought individually or in partnership with each other, but entirely distinctly from the corporations, Armour & Co., Swift & Co., and Morris & Co., these 15 or 16, whatever the number was, small concerns around the country, with the expectation of turning them over to the large company when organized. The large company was never organized and in order to handle these companies which they had themselves acquired by paying cash for them, so that their former owners entirely went out with their purchase money from the organization, in order to handle those 15 or 16 companies, they organized the National Packing Company and turned the properties over to the National Packing Co. in exchange for the stock of the National Packing Co. The properties were owned by the individuals. The stock was taken from the National Packing Co. by the individuals when the properties were turned over to the National Packing Co. in 1903.

Mr. TINCHER. Where were these plants?

Mr. VEEDER. They were scattered around the country. There were several in New York, several in Chicago, and there were a few in Boston, or possibly one.

Mr. TINCHER. The National Packing Co. still has a legal corporate existence, but is not functioning and is not doing business?

Mr. VEEDER. It still has a legal existence as a corporation, with a capitalization of $5,000, and with officers and directors sufficient to keep it in existence as a corporation.

Mr. ANDERSON. So that up to 1912 the principal owners of the stock of Armour & Co. and Swift & Co. and Morris & Co. appear to have had a joint or separate interest in the National Packing Co.

Mr. VEEDER. That statement is not entirely true, for the reason that Mr. G. F. Swift, sr., and the Swift estate do not own, if I under-

stand your use of the word "principal," a majority of the stock of Swift & Co.

Mr. ANDERSON. But they are stockholders in Swift & Co.

Mr. VEEDER. It is a fact that the stock of the National Packing Co. was owned by individuals who were stockholders in the three companies you mention.

Mr. ANDERSON. Are you certain that no part of the stock of the National Packing Co. was held by or on account of Armour & Co., Swift & Co., or Morris & Co.?

Mr. VEEDER. I am certain as to Swift & Co., and I am satisfied that that is true as to Armour & Co. and Morris & Co.

Mr. MCLAUGHLIN of Michigan. What has become of these several properties?

Mr. VEEDER. The properties were sold in 1912, some of them to Swift & Co., some of them to Morris & Co., and some of them to Armour & Co., and some of them to outsiders, and there is still a small part not yet sold, being held by a trustee for the purpose of selling them whenever they can find a purchaser; in fact, the tract of land formerly occupied by the G. H. Hammond Co., at Hammond, Ind., was sold by the trustee within the last year or 18 months. That was perhaps the largest piece of property that they had been unable to dispose of.

Mr. MCLAUGHLIN of Michigan. What proportion of the property was disposed of to others than the three large ones you have named?

Mr. VEEDER. That would be a comparatively small proportion that was not disposed of to one of the three companies, in the aggregate.

Mr. MCLAUGHLIN of Michigan. And as those properties were separated by separate sales, there has been no combination of them since?

Mr. VEEDER. There has not.

Mr. ANDERSON. At the time of this liquidation of the National Packing Co. there was a suit pending, was there not, for its dissolution, and a criminal suit against them?

Mr. VEEDER. No, sir; there was not.

Mr. ANDERSON. No; there was no civil suit pending at that time. The statement as contained in the report of the Federal Trade Commission is:

> The National Packing Co.—the clearing house for the combination—continued until July, 1912, when, after the failure of a criminal prosecution it was liquidated in order to avoid a civil suit.

Is that true?

Mr. VEEDER. "In order to avoid a civil suit" is the inference of the Federal Trade Commission. The fact is this: In the fall of 1911, there was an indictment brought in Chicago against the National Packing Co., the theory of that indictment being that the National Packing Co. was the center, at the meetings of which, in doing the business of the National Packing Co., the directors of the National Packing Co. at the same time transacted the business of the other three companies. The grand jury was in session, I think, for three months and the trial lasted three months. Evidence was put on in an attempt to show several things; one, that the packers were in collusion in the buying of live stock; two, that they were in collusion in the fixing of the price of meat, and perhaps—well, that about covers it. The jury, after a trial of

three months, brought in a verdict of not guilty. That verdict, as I recollect it, was brought in in March, 1912.

Mr. McLAUGHLIN of Michigan. I understand there was a true bill returned for their arrest and prosecution in court.

Mr. VEEDER. Yes.

Mr. McLAUGHLIN of Michigan. And that that verdict was the verdict of a trial jury and not the grand jury.

Mr. VEEDER. There was a trial before the jury which lasted for about three months, and the jury promptly, at the termination of the arguments, brought in a verdict of not guilty.

Mr. TINCHER. Where was that—at Chicago?

Mr. VEEDER. In Chicago.

Mr. TINCHER. In the fourth congressional district?

Mr. VEEDER. No; I do not believe it was the fourth.

Mr. RAINEY. You have a particular fondness for the fourth congressional district. We heard something about the Kansas district making laws, I know the fourth congressional district is broader and more American than the Kansas district.

Mr. TINCHER. I know the juries would be fair.

Mr. VEEDER. Prior to the return of this indictment by the grand jury, there had been one or two previous indictments and one or two civil suits in the same district, all of which had been either crushed or immediately declared void on demurrer. At the time that these bills were filed and the indictment returned—these prior bills and indictments, the individuals or their attorneys representing the individuals, who owned the stock of the National Packing Co., appealed to the Attorney General of the United States and informed him that they were just as anxious as he to dispose of the National Packing Co. in some way, and if he would point out the method he wanted the packing company dissolved, they would be very glad to follow it. The Attorney General said that he had no scheme to suggest but that it would have to be left to the courts. Immediately after the verdict of not guilty was returned, the attorneys of the individuals recommended to them that they dissolve the National Packing Co. without waiting for some plan from the Attorney General or from any other source.

Mr. McLAUGHLIN of Michigan. Who was the Attorney General at that time?

Mr. VEEDER. Mr. Wickersham. The five individuals promptly—the reason the attorneys told them to do this was because, although the attorneys were of the opinion that the National Packing Co. as organized and as operated was perfectly legal, they pointed out to the individuals that any place of meeting or any organization in which the individuals of these five concerns or these three concerns—there were only three of them in the National Packing Co. and not five—in which these three concerns could get together—I mean there were three individuals, Armour, Morris, and Swift. Mr. Cudahy and the Sulzberger & Sons people were not in that—that any getting together, even legally, as directors on a board of a corporation or otherwise, was so subject to suspicion that they would advise that they do not even do that which was legal, in order to avoid the charge and suspicions that their meeting together seemed to arouse.

The three individuals proceeded to figure out how they could dispose of these properties, and, finally, adopted the plan of selling

them which I have described, and by August, 1912, they submitted to the Attorney General their plan, which the Attorney General approved, and you will find a reference to it in his annual report for the year 1912, and the plan was immediately carried out, the properties all sold with a few exceptions, which were held by a trustee for the purpose of selling as soon as they could find a purchaser, and at the present time there are only a few pieces of real estate property still held by the trustee. The last piece sold, and the largest piece which the trustee acquired, being the tract of land at Hammond, Ind., a good many years ago occupied by the G. H. Hammond Co.

Mr. ANDERSON. It is true then that up to 1912 stockholders of Armour & Co., Swift & Co., and Morris & Co., all had an interest in the National Packing Co.

Mr. VEEDER. All stockholders?

Mr. ANDERSON. No; stockholders, I said, and not all stockholders; but stockholders of those three companies owned stock in the National Packing Co.

Mr. VEEDER. Some stockholders in each of those three companies did own stock in the National Packing Co.

Mr. ANDERSON. And that was owned substantially in the proportion in which you stated it, or as I read it from this report.

Mr. VEEDER. That is true.

Mr. ANDERSON. And it is also true that while the National Packing Co. was in existence that G. F. Swift, Edward Tilden, Albert H. Veeder, J. Ogden Armour, P. A. Valentine, Arthur Meeker, Edward Morris, Thomas E. Wilson, Kenneth K. McLaren, Jesse P. Lyman, and James Standish were members of the board of directors of the National Packing Co.

Mr. VEEDER. No; that is not true. The members of the board of directors of the National Packing Co. varied from time to time. I think you have read the original board of 1903. Albert H. Veeder was a director of the company but for a short time.

Mr. ANDERSON. Did you succeed him as a director?

Mr. VEEDER. No, sir; I never was a director.

Mr. ANDERSON. You were never a director of the National Packing Co.?

Mr. VEEDER. No.

Mr. ANDERSON. Who does Edward Tilden represent in this matter?

Mr. VEEDER. Edward Tilden was president of the National Packing Co. and represented himself as president of the National Packing Co.

Mr. ANDERSON. Was he connected with Swift and Co.?

Mr. VEEDER. No; Edward Tilden was one of the trustees of the estate of G. F. Swift.

Mr. WILSON. And a very rich banker in Chicago.

Mr. VEEDER. Besides being president of the National Packing Co., he was largely interested in banks in Chicago and in the West.

Mr. ANDERSON. Who did Arthur Meeker represent?

Mr. VEEDER. Arthur Meeker is vice president of Armour and Co. He represented on that board Mr. J. O. Armour's interests or one of the representatives of Mr. J. O. Armour's interests on that board.

Mr. ANDERSON. And Mr. P. A. Valentine.

Mr. VEEDER. Mr. P. A. Valentine likewise represented Mr. J. O. Armour, or one of the representatives of Mr. J. O. Armour's interest on the board.

Mr. ANDERSON. And Thomas E. Wilson at that time represented Morris?

Mr. VEEDER. Thomas E. Wilson at that time represented Mr. Edward Morris on the board.

Mr. ANDERSON. And McLaren?

Mr. VEEDER. McLaren was an officer of the Corporation Trust Co., of Jersey City, N. J. The corporation was organized under the laws of the State of New Jersey. Under the statutes of the State of New Jersey it was necessary to have a local director.

Mr. ANDERSON. Who did Jesse P. Lyman represent?

Mr. VEEDER. Jesse P. Lyman was president of the National Packing Co. prior to Edward Tilden. Now, just a minute, this board you are reading there or the names of which you are reading, as I recollect it, was the original board. The first president was Jesse P. Lyman, and Jesse P. Lyman was on that board for the reason that he was president of the company. At that time Mr. Edward Tilden was on the board because he was one of the trustees of the G. F. Swift estate. Subsequently, Mr. Edward Tilden became president of the company after Mr. Jesse P. Lyman.

Mr. ANDERSON. But the owners of the stock were all represented on the board of directors.

Mr. VEEDER. That is quit customary; yes, sir.

Mr. ANDERSON. I am trying to get at the facts.

Mr. MCLAUGHLIN of Michigan. The witness having made his statement as to the organization and the operation and particularly what I had in mind the going out of business and the disposition of the property of this company, Mr. Anderson, will you kindly read there what the Federal Trade Commission says as to the reason for the sale of these properties and the going out of business of this company, so that we can have them together.

Mr. ANDERSON. There is quite a little here with reference to that.

Mr. MCLAUGHLIN of Michigan. You read certain lines there.

Mr. ANDERSON. I presume you have reference to this paragraph——

Mr. MCLAUGHLIN of Michigan. Something about fear of a criminal prosecution.

Mr. ANDERSON (reading):

> The National Packing Co.—the clearing house for the combination—continued until July, 1912, when, after the failure of a criminal prosecution it was liquidated in order to avoid a civil suit. The properties of the National were distributed among the Armour, Swift, and Morris companies on substantially the same percentage basis on which they had been merged.

Mr. MCLAUGHLIN of Michigan. That is what I had in mind.

Mr. TINCHER. I want to ask Mr. Veeder a question. I notice, Mr. Veeder, in your statement you are particular to emphasize the fact that the owners of the stock in the National Packing Co. were individuals and not the corporations, these three packing concerns. As a matter of fact, is there much difference in that? Is it not true that the object of the organization of the National Packing Co.—or in acquiring those properties, which you say yourself was with a view

to merging all the five or three big packers—is not that a distinction without any real difference so far as this committee is concerned?

Mr. VEEDER. The object of the purchase of these companies was to put them into a large company to be formed to include the five large companies.

Mr. TINCHER. So there really is not much difference in that?

Mr. VEEDER. Pardon me; the large company was never formed and these individuals found themselves with these companies on their hands. Now, these companies, some of them, were prosperous, but many of them were not. They were companies that the individuals never would have purchased if they had known that the organization of the large company was to fall through. The National Packing Co. operated a great many years at a real loss, and it was not until it had been going for many years that it began to earn any return upon the investment.

The form of orgnization in the National Packing Co. that was followed was based upon the steel organization, where the owners exchanged their properties or the stock for stock in the subsidiary companies. That was the form followed. Now, furthermore, when the properties——

Mr. ANDERSON (interposing). Was there not this difference in the case of the National Packing Co: In addition to that the stock of the subsidiaries also stood in the names of the owners of the National Packing Co.?

Mr. VEEDER. How could the stock of the subsidiaries stand in the names of the owners of the subsidiary companies and still be owned by the stockholders of the National Packing Co. at the same time? Here is what I think you mean: Instead of transferring the shares of stock of the subsidiaries into the name of the National Packing Co. they were held in the names of individuals who indorsed those shares in blank and deposited the shares so indorsed with the treasurer of the National Packing Co. Those shares of stock were owned by the National Packing Co., but in conducting corporate business it is much more convenient if the shares stand in the names of individuals than if they stand in the name of a corporation. For instance, when you go to vote that stock, if the stock stands in the name of the corporation, you have got to have a corporate meeting and determine who the proxy is to be, adopt resolutions and all that sort of thing. On the other hand, if the stock stands in the name of an individual, there is no necessity for that machinery, and the individual can vote the stock or issue the proxy in his own name: but the individuals did not have possession of the stock of the subsidiaries. That was held and owned by the holding company, the National Packing Co.

Mr. ANDERSON. The effect of that would be, so far as the ownership of the National Packing Co. in those subsidiary concerns was concerned, to wipe that all out without any action at all of the National Packing Co.

Mr. VEEDER. Well, I do not follow you. The National Packing Co. being the owner, the individuals had no control over that stock. I do not see how the ownership of the National Packing Co. could be wiped out without some action of the National Packing Co. Of course, the properties were owned and in the name of the National Packing Co., or the National's subsidiary, and when the National

bought up any of those companies the public did not know whether those stocks stood in the name of A or X.

Mr. TINCHER. I do not know whether you got my point or not. I was wondering why you were so careful to distinguish between Swift and Armour and those individuals, for instance, owning the stock and the companies themselves.

Mr. VEEDER. The only reason I was careful to distinguish was that there might be some question of the legality of the ownership of those stocks by the three corporations, but those three corporations never did and never attempted and never desired to own them. The three individuals bought those companies because they believed they were going to organize a great big holding company, modeled upon the Steel Corporation, which would own not only these properties but the properties of the three companies.

Mr. TINCHER. Barring the legal aspect of the proposition, the effect on the general public, if there was even an effect by reason of that combination, would be just the same whether it was in the name of the individual or in the name of the company.

Mr. VEEDER. You mean economically?

Mr. TINCHER. Yes; if there was anything wrong with that ownership.

Mr. VEEDER. There was nothing wrong in that ownership. The company had its buyers in the market and bought in competition with the others, and it had its branch houses located next door to the others and sold its beef in competition with them.

Mr. TINCHER. That is, you mean that the National Packing Co., with a controlling interest owned as you have enumerated, competed with Armour & Co., Swift & Co., and Morris?

Mr. VEEDER. Yes, sir.

Mr. TINCHER. Now, there is another matter I want to ask you about just at this time, if there is no objection, and that is about this recent decree. I see there is still a lot of talk about that.

Mr. VEEDER. May I ask that you take that up later? I am taking up Mr. Weld's time. I interrupted simply for the purpose of explaining this one point. I do not desire to avoid answering any questions; in fact, it will be my delight to do so.

Let me say just one word more on this National Packing Co. matter. At the time of the dissolution of the National Packing Co. in 1912, before the properties were sold, one rule was adopted, and that was that if in any town where two of the older companies were located and the other was not there, that the other company should be given the preference to buy that property at equal prices, so that in the future, instead of these being only two representatives in that town, there would be three. In other words, in cutting the National Packing Co. out of its representation in any town, there was no disposition—we carefully avoided reducing the number of selling houses in that town from the number that was previously there.

Mr. RAINEY. I do not desire to interrupt Mr. Weld, Mr. Chairman, but we have two gentlemen here—Mr. Hormel, from Minnesota, and Mr. Ryan, from Cincinnati, Ohio. They are anxious to leave town to-night, and I am going to request Mr. Weld to continue his statement later and ask that Mr. Hormel, of Minnesota, be permitted to appear now. I trust this will be agreeable to Mr. Weld.

STATEMENT OF MR. JAY C. HORMEL, VICE PRESIDENT GEO. A. HORMEL & CO., AUSTIN, MINN.

The CHAIRMAN. Mr. Hormel, please give your full name.

Mr. HORMEL. My name is Jay C. Hormel, of Geo. A. Hormel & Co., of Austin, Minn., being vice president of the company.

Mr. Chairman and gentlemen of the committee, in the first place, the interests of our community are very closely allied with the interests of our company, and so I feel that the testimony I may give here and the ideas I may submit to you can be considered as being representative of the community itself. I have with me a clipping from the Albert Lea Tribune, telling of a resolution of their business men's association which, I understand, has already been laid before the committee. In looking over the names of the people who passed this resolution, I find that they constitute Albert Lea's chief business men; that the representation at the meeting that night was, indeed, a fair representation, and I believe that the resolution can be taken as a true indication of the attitude of Albert Lea, which, as you prabably know, is located about 22 miles from Austin, my home.

It was some 30 years ago that my father engaged in the meat market business in Austin and had as a partner a man named Frederick. About a year later father took the business over, and during the first year of the operation of the business under his own name killed in the neighborhood of 600 hogs. Since that time he has developed the business until to-day in size it is a four-story pile of brick and mortar, about three city blocks in length and two in width. We employ 1,600 persons, having an annual pay roll of something over a million dollars. We kill 600,000 head of live stock and prepare in the neighborhood of $30,000,000 worth of food products for the market each year.

Thirty years ago, I am told, our county was rather a sorry community. The people were all relatively poor. The farmers lived in log cabins and were able to procure for themselves none of the better things of life. They had a great deal of difficulty in eking out even a hand-to-mouth existence.

At that time the deposits in the largest bank in the county amounted to $175,000. During the past 30 years there has come a great change, and the deposits in that same bank to-day amount to $3,293,000, a large portion of these deposits being time deposits of the farmers.

A great many changes have taken place in the county. The farmers now live in fine, modern houses and many of them have all the conveniences that we are accustomed to in the city. Austin itself has grown from a country village to a thriving little city of 12,000 people. Living conditions all along are changed. The outbuildings on the farm, instead of the old log and thatch hovels of years ago, are now fine silos and substantial barns sheltering the live stock, which has contributed most to the wealth of the county.

Twenty-five years ago it was a strictly grain-raising proposition on the farm, and the land was becoming poorer and poorer each year because of it. To-day they have turned to stock raising, and it is this stock raising, in our opinion, which has raised the prosperity of the county from what it was years ago to what it is to-day.

My purpose in outlining this growth of the community is to show that the growth of our company has not been at the expense of the county itself, but has been along with the growth of the county.

It has been stated that legislation such as that now proposed would be un-American. It has been stated that it would lead toward Government ownership and for that reason should be avoided. I agree with both of those ideas. However, we want to protest vigorously on the basis that to pass such a bill would be discrimination. So far the regulation of manufacturing industries has been resorted to only as a war-time measure. I do not believe that the Nation wishes to extend Government regulation to other than the public utilities. For example, a miller takes from the farm its products, processes that product, and makes it into a finished item of food, which is distributed somewhat similarly to the packing-house products through the retail dealer, eventually. The wholesale grocer, or the lumberman or the textile industry are not considered as industries which should be licensed and regulated. We do not see why we should be singled out and why the packers should be licensed and regulated any more than other industries.

Mr. HUTCHINSON. The millers are now?

Mr. HORMEL. As a war-time measure only, sir. Is not that true?

We feel there would be no justice whatever in imposing upon the packer the arbitrary interference of the Government.

I have outlined to you somewhat the small way in which the Hormel Co. started, but I can not tell you of the effort, the perseverance, the drudgery and self-sacrifice necessary to build up that institution.

Our organization, that is to say, the responsible members of our organization are all old men with us. That is, it seems that outsiders are not successful in our business. Local experience seems to be absolutely necessary. There are local advantages which must be known and capitalized to the utmost. There are local disadvantages which must be studied and carefully avoided. We have tried time and time again, but so far we have not been able to bring in from the outside a man who has possibly been a department head of some other packing house and have him function in our business in Austin, Minn., satisfactorily both to himself and to our firm.

This bill, as we read it, places a general manager over us to watch the detailed conduct of our business and to insist on our compliance with more or less arbitrary rules which may be changed from time to time. We feel that it is impossible for the Government to choose men competent to perform this task.

It has been necessary for us to closely scrutinize each of the 18,000 men who have at one time or another been in our employ and to analyze these individuals carefully in order to select the small handful who are now holding responsible positions with us. If it has taken us 30 years' careful search to find the few men who, after years of local training and acclimation, have developed the capability and the real judgment necessary to function as department heads in our business, can the Government build up an organization of such men by simply being willing to do so? We believe that it would be utterly impracticable in the first place, and, in the second place, because of the scarcity of such men as would be required, the cost of employing them would be a financial burden which the Government would not dare to assume.

We understand that the commissioner of foodstuffs would have the power to tell us with whom, how, and at what price our transactions should be made. He would tell us how our records should be kept. He would name the use that should be made of our facilities and would tell us to whom these agencies might be open. Furthermore, he would have the power and right to disclose such of our experiences as he thought adaptable to other institutions in the industry. We have developed a certain number of fine points in our business, what we call our "business personality;" in other words, the thing that attracts trade to us, instead of allowing it to go to our competitors. It is on that that our business prosperity is dependent. I do not believe that we can afford to have anything, governmental or other, coming in and disarranging these little personal capabilities that we have built up ourselves, and upon which we rely so strongly.

I am told that any ill-advised action, according to this bill, not necessarily on the part of the head of the business or one of its responsible officers, but on the part of anyone of our 1,600 employees, would be sufficient justification to revoke or temporarily suspend our license to do business. That means 1,600 chances every moment that the company operates for something to come up which would take away from us our privilege to go ahead with our affairs. This might be simply a matter of carelessness on the part of someone who is unfit or, perhaps, not intelligent. On the other hand, in these days of the radicals and people who hold such totally different political views from some of the rest of us, it might be someone with an imaginary grievance would wilfully violate the rules of the Food Commissioner in order to suspend or revoke our license and give us a great deal of trouble before we could demonstrate that we were in the clear on the thing and were not responsible for it. Even a temporary suspension of our license might more than offset the earnings from a year's successful operation.

We find no place in the bill where there is any provision for making good a loss which might be needlessly incurred through no fault of ours. I doubt very much if there is any member of this committee who would, in the first place, wish to trust in the hands of 1,600 people over whom he could not possibly have absolute control—who would be willing to trust to so many people his license to go ahead with his affairs, or, as this might mean to us, to put his very existence in the hands of those people. I have tried to outline here that our earning power would be greatly jeopardized and may be seriously impaired.

It so happens, if I am correctly informed, that the packing industry does its business on a larger percentage of money borrowed on unsecured paper than any other industry. The reason for this is that when the farmer chooses to market his hogs we have to be there ready to pay cash for them that very day. It takes some time to process the meat, and we can not sell until the customer is ready to purchase. It is impossible to look ahead and see what our needs for money are going to be. It is absolutely necessary to be able to get the money any day, on a moment's notice and on open commercial paper. We have to be able to communicate with our financial connections and get $100,000 or $200,000 quickly. Even a small concern like ours is obliged to have outstanding debts of several mil-

lion dollars for many months each year. This bill takes the certainties from our business and leaves the banker without security. I take it, because of our very existence of the packing industry, that it must perform some service to the Nation, and we certainly would consider it unwise to jeopardize its finances, which, of course, is the keystone to its entire structure.

It is my contention that curtailment of legitimate industry hurts everyone along the line. The American system has always been to reward initiative and to place a premium upon personal ambition and progress of individuals. Our social system is so constructed that one can realize advantages to himself only in the measure that he is of service to others. The packing business has prospered and become a great industry because it has filled a public and national need.

If we presume to throttle personal ambition, take from men the control of their own destinies by placing dictatorial powers in the hands of governmental agencies, there have been taken away the incentives which prompt individual effort. The result of such action is bound to slow up the present efficient machine which is in operation. For example, if I am less interested in my particular job our concern would be less interested in the competitive market at some outlying point. We are, by strong competition, now forced to provide every advantage to our customers. If less interested, we will not take pains to lay our goods down in the best shape and will make it more difficult and, perhaps, more expensive, through indifference. for the customer to receive just exactly what he wants. The result of that is there would be less work to do in our plant, because there would be less product purchased, there would be less hogs to be raised on the farm, and the farmer would get less revenue from the acres that he tills.

We feel that the passage of this bill would result in less money to the farmer for his stock, in the consumer paying more money for less service, and in addition there would be more operating expenses which would be added to the already considerable burdens of the taxpayer.

Mr. WILSON. But it would create some new offices and jobs for political appointees?

Mr. HORMEL. Yes, sir; the packers would need those jobs in a very few years.

The United States packers are unique as compared with the packing industry in other nations. I refer to their efficiency, their scope, and their flexibility. What constitutes the waste in a slaughter house is more than equal to the profits in a packing house. It is because the packing business has been allowed to develop that the United States has become a great stock country. We call our country people "farmers" and not "peasants" and we have given service to the consumer which is equalled by no other nation. To repeat, a curtailment of any legitimate industry hurts everyone along the line.

Mr. TINCHER. Just to clear up the record there, I guess the farmers were called farmers before the packers were organized or before they had the big packing houses; that is, they were not called peasants previous to that time in this country.

Mr. HORMEL. Well, I think the period of grain farming was so short and the portion of the country which limited itself to land

farming so small that we never got to think of them in that way. What I am getting at is that our farmers are not to be compared in any way with those who till the soil in other countries.

Mr. TINCHER. They have always been called farmers?

Mr. HORMEL. I understand that, but the point is that they are not to be compared to the farmers in any other country. When you think of a farmer, you think of a prosperous business man whose business is to till the soil; you do not think of somebody drudging away his life for no return.

Mr. TINCHER. Pardon me for interrupting you, but it just occurred to me that they were not called peasants before the packers' time?

Mr. HORMEL. Certainly not.

Gentlemen, I am not here to protest on behalf of other packers, except as the blow which might be dealt them would strike us as well. We feel that to place the industry under regulation would subject us to disadvantages away beyond those to which the big packers would be subjected by such legislation. If you will permit me to illustrate this by analogy. During the winter months the climatic conditions of Austin are such as to hamper railroad traffic. In 1916–17 we were approximately for three weeks partially or entirely shut down because of blizzards. In another part of the country that did not hold true. For example, take a packer in St. Louis, or anyone further south than Austin. He was not subjected to those shutdowns because of the severity of our winter. On the other hand, during the winter months if we want to chill some hogs we open a window and let some fresh air in. The fellow located at St. Louis has to throw coal in his furnace and work the ammonia machine at considerable expense.

We have an advantage over him in that way. Let us look at the big packer. He has a plant up North and he has a plant down South. He takes the delay that his northern plant is subjected to, because of snowstorms, and he prorates that against the output of the two plants, where we can charge it only to the output of one plant. He goes down South and pays the expense of maintaining refrigeration. He does not charge that to one plant, as the southern man has to do, but he charges it to two plants or as many as he may have on the circuit. The bigger the house the more he can average his condition. Of course, it is like every individual; it is the average which counts.

If the big packer can enjoy very distinct advantages because of his size, due to natural conditions, is it not true that his size will prove a distinct advantage to him under artificial conditions which may be created by legislation? You propose to support competition and to protect the existence of the little fellow. If that is true, I believe that you should give very careful consideration to that particular point.

Mr. TINCHER. You do not want any legislation. You do not want to give any legal preference to the big packer over the little packer?

Mr. HORMEL. No, sir; I do not think anybody wants to do that.

Mr. TINCHER. You are afraid that this bill would do that?

Mr. HORMEL. I fell convinced of it.

Mr. TINCHER. If you can convince the big packers of that it probably would not take long to hear their testimony.

Mr. VEEDER. There might be some other ground of objection, Congressman.

relief, and bringing facts and testimony sufficient to justify adequate action.

So far I have indulged only in criticism, and before ending my testimony I want to make one suggestion, and that is that the real remedy for the whole situation would be to foster cooperation. For example, I am told that in Denmark a farmer is penalized if he brings to market hogs weighing over a certain amount—I believe it is over 220 pounds. The reason, I am informed, is that it is more expensive in feeding hogs to add a pound of meat to hogs over 220 pounds than it is under that weight. Therefore, that is the economical producing weight. In addition to that, the lighter hogs largely produce the most desirable cuts.

Right there is a point which might be followed out and turned to the benefit of everyone concerned in the industry.

Mr. TINCHER. You will have to except breeding stock from that or you will have to butcher some pretty poor hogs.

Mr. HORMEL. Oh, surely. There is a question which has come up in English competition in the matter of boraxing meats, because of the necessity of using a preservative in order to get the meats to England in good condition, and since it is not necessary for the Danish to use that method we find that the Danish gets uniformly a better price for their product on the English market.

Another feature is that American meats on the English market are speculated in because they have this preservative in them and can be kept long enough to speculate with them, whereas the Danish meats do not have it and can not be speculated in.

The reason for using the borax is because of delayed transportation. Suppose a law could be passed avoiding the delays in transportation, both to the seaboard and at the seaboard in making foreign shipments, it would be an enormously helpful thing to the whole industry.

Speculation in our own stock yards has been mentioned this afternoon. That is another feature which, if done away with, would be helpful to the industry all along the line.

In other words, we feel that the need of the Nation now is rather to establish a mutual confidence between the Department of Agriculture—the Government—and the farmer, the packer, and consumer.

I might say, too, in making any such move as this, the facilities and services of George A. Hormel & Co. are certainly offered to the committee. We will be glad to do anything we can and go to any length to help along constructive measures to do away with any unsatisfactory conditions.

Mr. TINCHER. I think probably that you have misconceived the purposes of this committee. The forepart of your statement was addressed to proposing legislation that would be injurious. I do not think any one on this committee wants to destroy the packing industry.

Mr. HORMEL. No, sir; but if the committee should decide that they were going to pass this bill, they then would have unwittingly fostered some legislation that would be injurious.

Mr. TINCHER. I do not know for sure about that. There have been arguments here on both sides about that. You say that you are told and believe that certain things could be done if this

There used to be a canning factory a short ways out of town. That has gone out of business now. The farmers have been deprived of a very profitable market for corn and what vegetables they used to sell that canning factory. We could very conveniently conduct that canning factory in connection with our business, because the season for the vegetable canning is the dull season in meat packing. We could thereby supply the farmer with a very desirable outlet for his product.

The dairy growth of our county has been very marked lately. We need more outlets; we need a condensery badly. For some reason or other we have been unable to interest outside capital. Our concern really could conveniently conduct a condensery, and we could market its product through channels which we have already established. By doing so we would give the farmer an outlet that is badly needed.

Now, it happens that the capitalization of George A. Hormel & Co. is in reality nothing but the accumulated savings of Mower County, in which we are located. Of our entire capital stock, 93 per cent of the shares are owned and held in Mower County. We do not feel that the county should be penalized and deprived of other advantages simply because it is chosen to foster a packing house, simply because it has chosen to use its own capital, its own money, to secure for itself the advantage from having a packing house located at home. We do not feel that Mower County should be forced to choose between the various advantages that it might wish to enjoy: we feel that it should have available all the advantages which it could enjoy.

For that reason we are very much against the provision of this bill which limits the packer to the handling of meat products. Our local conditions make that an ill-advised limitation.

We do not know exactly why this bill has been proposed. If it is founded on suspicion, we do not consider that a good reason. Our concern, George A. Hormel & Co., has always been mighty careful to employ nothing but sound methods. We have limited ourselves to honorable practices. Our business integrity is the one thing that we are particularly proud of. I do not believe that it is simply because my father engaged in the packing business that he attained success. I feel that if he had started out running a popcorn stand would have some nationally known confection on the market today.

If, as I say, it is a suspicion which has brought this thing about, I think that is a wrong justification. If it is a small packer who is being looked upon with suspicion, it is certainly wrong to penalize a whole great industry because of one of its minor members.

If it is a big packer, certainly you ought to protect us little fellows if is something he has done that is in question. But the point of the whole thing is that we feel that we have sufficient present safeguards. We now have the statutes; we have the courts to enforce them. I am told that if we go to the Federal Trade Commission with a grievance they will give us relief. But if we should ever feel that we are being damaged by a power from which these agencies should fail to protect us, you may rest assured that Hormel & Co. will listen to a congressional committee just such as this, crying for

Mr. HORMEL. Do you mean to say that those provisions are not of such a nature as if applied would make it necessary to get a license?

Mr. ANDERSON. Absolutely not.

Mr. HORMEL. Why should any one want to take on those conditions? I mean, what would prompt our concern to agree with these provisions?

Mr. ANDERSON. I do not think your concern would take out a license under section 14 at all. I do not know of any reason why it should. I had no anticipation that it would.

Mr. VEEDER. The general provisions of the act regulating packing companies provide for the regulation of those companies whether registered or not.

Mr. ANDERSON. Section 14 was intended to apply solely to public, quasi-public cooperative associations.

Mr. VEEDER. Is that the way it reads?

Mr. ANDERSON (reading):

> That the term "corporation" as used in this section includes any public, quasi public, or other corporation or cooperative association and any agency controlled or operated by any State, Territory, District, or possession of the United States or any political subdivision thereof.

It may be that language is broad enough to include other than quasi public, public, or cooperative corporations, but it was not intended to be so.

Mr. HUTCHINSON. You could not make rules or regulations for any corporation except you had a license?

Mr. ANDERSON. Oh, yes; we can do anything without a license that can be done with a license, so far as that is concerned.

Mr. RAINEY. I read in the Federal Trade Commission's report the little packers exist by sufferance of the Big Five packers. You have impressed me that so far as you are concerned—and you have referred to yourself as a small concern—you do not exist by the sufferance of the large packers. In other words, you welcome and do not fear the competition of the large packers?

Mr. HORMEL. Well, I would not say we "welcome it." We could get rich kind of quick if they would lay off and not compete. But we realize we should have some competition to take the place of the large packers' competition.

Mr. RAINEY. You do find competition amongst the large packers?

Mr. HORMEL. I should say so; yes, sir. It is competition that keeps everyone in the industry scratching.

Mr. RAINEY. Do you, of your own knowledge, know of any collusion between the five large packers, so called, in the matter of fixing prices?

Mr. HORMEL. No, sir.

Mr. RAINEY. Do you think they could fix prices?

Mr. HORMEL. They might fix prices, but they would soon stop selling goods if they were to fix prices too high; and if they fixed them too low, I do not see what they would gain.

Mr. RAINEY. Your firm is in actual competition with the large packers all over the country where you do business?

Mr. HORMEL. Yes, sir.

Mr. HUTCHINSON. There is just one question I want to ask you. If I recall, you said something about speculation at the stockyards. Do I understand you to say that that ought to be stopped?

Mr. HORMEL. Of course, anything I say in that regard perhaps would be discounted, because we do very little stockyard buying, and I am not really acquainted with the stockyards procedure; but I am told that there are speculators in the stockyards who do speculate on the live stock as it arrives, and I feel that any speculation tends to undermine the confidence of the farmer in the packer.

Mr. HUTCHINSON. Who does that speculation? There is a term I have heard here, "speculators."

Mr. HORMEL. For instance, I understand there are men who go down to the Union Stock Yards in Chicago, and they say, "Here, before the day is over these hogs are going up a half dollar," and they rush in in the morning to buy the hogs and sell them out at a half dollar advance in the evening. Am I correct in that? That is my understanding. I know that is sometimes done. But the fact that these uncertainties creep in is no reason that somebody else should go in and get some hogs and sell them to the packer for more money than the farmer received for them, and is one of the factors which, in my opinion, tends to undermine the confidence of the farmer in the packer.

Mr. HUTCHINSON. You would be in favor, if this bill were to be passed, of including commission men, speculators, and everybody?

Mr. HORMEL. Absolutely not.

Mr. HUTCHINSON. You would not want to control them, would you, either?

Mr. HORMEL. No, sir; I do not feel that the packing business is any more deserving to be controlled than any one else.

Mr. HUTCHINSON. You would not want to control them if this bill passed?

Mr. HORMEL. I would say that if this bill passes I would want to dispose at once of my own interest in the business, buy myself an automobile and a lot of travelers' checks and say "good-by."

Mr. WILSON. There is speculation in almost everything in this country, is there not?

Mr. HORMEL. Why, yes, sir; I presume there is.

Mr. WILSON. That has been my observation; and nearly every one is a speculator if he can get a chance to profit thereby?

Mr. HORMEL. Yes.

Mr. WILSON. And whether he is buying a carload of hogs or cattle, a bale of cotton, or a sack of flour, or anything else, he speculates if he sees where he can make a little money.

Mr. HORMEL. If he thinks he can; yes.

Mr. WILSON. So there is nothing unusual about people speculating in this business world of ours. A great deal of money has been made just in that way by many, many people.

Mr. HORMEL. I would not presume, and I did not mean to presume, to endeavor to outline to this committee just in what form any constructive steps should be taken, but I just meant to throw out some sort of an example of what might be done in order to improve the conditions. I do not believe that regulation is the way to accomplish it. I do not believe that stopping legitimate activities will help or that hampering legitimate activities will be benefical.

Mr. WILSON. In other words, you do not think a commission appointed under any law, by the administration of this Government,

could stop this speculation, and you do not think such a commission should be appointed for that purpose?

Mr. HORMEL. I would not put it exactly that way. I would say that I do not believe that such a commission could secure the farmer any more money for his hogs or could get meat for the people at any less cost to them.

Mr. WILSON. You spoke about taking over that flour mill in your city?

Mr. HORMEL. Yes, sir.

Mr. WILSON. After you had taken it over, did you continue to own it, and control it, and operate it?

Mr. HORMEL. Yes, sir; and we operate it to-day. We own 100 per cent of its stock; it is a subsidiary to the main company.

Mr. HUTCHINSON. Do you operate it separately from the meat-packing business?

Mr. HORMEL. In some regards, yes; and in some, no. The same officers and the same management handles both. We use the same bookkeepers and the same office boys.

Mr. HUTCHINSON. Do you employ the same accounts or keep them separately?

Mr. HORMEL. We do not combine the accounts. The reason the subsidiary accounts and the packing-house accounts are kept separately is because we want to know what the mill is doing.

Mr. ANDEBSON. Do you operate the mill as a separate corporation?

Mr. HORMEL. Yes, sir; that is, we call it the Hormel Milling Co., because when we first got it we were not sure we wanted to keep it; we did not know whether it would be an advantageous thing for us to keep. We thought we would incorporate it separately, so that if anybody came along and we wanted to sell it we would be in a position to do so without complication.

Mr. ANDERSON. Your statement with respect to the power of the commissioner of foodstuffs under this bill to fix prices or regulate your facilities is based on the language contained in section 14, I presume?

Mr. HORMEL. I presume so. I have not read this copy of the bill. As I say, I was told that this bill is very similar to Senate bill 2202, and that is the one I read.

Mr. ANDERSON. If your objections are based upon the provisions of section 14, I call your attention to the fact that the provisions of that section are purely voluntary, and unless assumed by a packer voluntarily would not have any application to him at all.

Mr. HUTCHINSON. When you have brought about that, suppose that you did not voluntarily ask for a license. Could you do any business under this provision if they made the rule so you could not do it without a license?

Mr. HORMEL. Suppose what?

Mr. HUTCHISON. Suppose you were a meat packer and declined voluntarily to do this. Suppose you did not do it, does not this provision provide rules so you could not do business unless you took out the license?

Mr. HORMEL. That is my understanding.

Mr. ANDERSON. Mr. Hormel, you buy direct from the farmers, if I recollect correctly?

Mr. HORMEL. We do some; yes, sir.

Mr. ANDERSON. You mostly buy direct from the farmers?

Mr. HORMEL. We buy mostly direct from the shipper. The shipper in some cases, and, in fact, probably the majority of cases now is the farmers' cooperative companies' employees.

Mr. ANDERSON. But you do not buy to any great extent through the stockyards, for instance, at Chicago, Sioux City, or St. Paul?

Mr. HORMEL. Nothing at Chicago; seldom at Omaha; once in awhile at St. Paul and Sioux City. In fact, during certain months we go there for small numbers rather continuously.

Mr. ANDERSON. To what extent do you butcher cattle?

Mr. HORMEL. I am trying to think of the total figures for last year—about 70 head per day, it would run.

Mr. ANDERSON. Do you buy cattle at all on the St. Paul, Chicago, and Sioux City markets?

Mr. HORMEL. Sometimes, when we feel we can do it advantageously.

Mr. ANDERSON. That is to a very small extent, I imagine.

Mr. HORMEL. Well, yes; because our business is so small. It depends on the grade of cattle we want to get, whether we want the grade of cattle the farmers are bringing in or whether we wish to secure some other grade.

The CHAIRMAN. As stated by Mr. Tincher, it is not the purpose of the committee to do away with any worthy enterprises. We believe in the enactment of just laws and the honest administration of such laws. Mr. Hormel, have you read the Federal Trade Commission's report?

Mr. HORMEL. No, sir; not the one that I saw the gentleman looking at here to-day.

The CHAIRMAN. It indicates that the small packers are at some disadvantage because of the monopolistic control?

Mr. HORMEL. Perhaps we are, but we have been able to overcome the disadvantage. I would not be able to tell what the disadvantages were.

The CHAIRMAN. In your opinion, no legislation is required or necessary?

Mr. HORMEL. No, sir; I think not.

The CHAIRMAN. You have no suggestions to make as to legislation?

Mr. HORMEL. Well, simply that the gentlemen who know conditions better than I do can figure out the kind of legislation that would build up the confidence of the farmer in the packer and of the consumer in the packer, and to build up confidence and cooperation between the Government and the packer, and accomplish the things which would work out economically in the end both to the producer and to the consumer.

Mr. ANDERSON. On that, Mr. Hormel, we have had a number of gentlemen before this committee who have complained very bitterly over the conditions at the stockyards and the conditions under which they have had to sell their cattle, and they say that as a result production has been decreased, and that large numbers of producers are going out of the business because they do not have confidence in the markets or are dissatisfied with the treatment they get there.

If this committee, in consideration of this question, could report out a bill which would tend to restore the confidence of the people and the producers of cattle and of hogs in the country in the markets, do you not think that that would be a desirable thing to do?

Mr. HORMEL. Providing that bill did not contain any other clause that would offset the good it would do in that direction.

However, in regard to the cattle markets, we are not a beef house, of course—I am speaking ill advisedly—but is it not true that the beef situation is somewhat due to the fact that other countries are now getting some of the foreign business that used to be ours, both due to the exchange rates and due to the fact that they were not in the war?

Mr. ANDERSON. I have no doubt that the changed situation and the falling off of the exports has had something to do with the falling off of the prices of cattle, but the fact remains that long before that condition existed there was among producers a feeling of dissatisfaction and a feeling that they were not getting entirely a square deal on the market, and that certain practices were indulged in in connection with the purchase of cattle and hogs at the large markets which were unfair to them. If they think so, and if their thinking so is having the effect of reducing the production of cattle and of hogs in the country, do you not think that it is up to us to consider how we can cure that situation?

Mr. HORMEL. I am inclined to believe that the feeling you mention on the part of the producer is not representative nor an universal feeling. The man who has the yell to make is the man who is usually hurt the easiest. It is the fellow who is using the hammer who makes the most noise, and I am inclined to think that a few disgruntled persons set forth that idea rather than the bulk of the people involved.

Mr. ANDERSON. I think the representatives of every farmer organization that has had any representatives here, with here and there an exception, have expressed the opinion that some legislation along this line is necessary in order to restore the confidence of the producers in the markets, and to induce them to continue the production of cattle and hogs, and they felt it was necessary for the best interests of the country. If that is the situation, is it not the duty of the gentlemen of this committee who sit here represening the agricultural interests of the country to do something to clear up that condition?

Mr. HORMEL. If some real constructive action can be hit upon that is not going at the same time to harm somebody or to curtail some legitimate industry, I would say it would be a good thing to do.

Mr. ANDERSON. Do you think, Mr. Hormel, that harm necessarily results from governmental regulation?

Mr. HORMEL. Yes, sir; I do—that is, regulation of the sort that is described in this bill.

Mr. ANDERSON. The committee is not confined in its consideration to the provisions of this bill. As a matter of fact, I stated when I understood that it was a mere basis for consideration, but that it did not even represent in every respect my own views as to what might be done in the situation. The committee is considering the whole question in its broad aspect. The committee will not be confined

in reporting legislation to the provisions of this bill or of any other bill.

Mr. HORMEL. Mr. Anderson, might I say this: Last summer I went through a rather disagreeable argument with our ministers in regard to having Sunday baseball. They not only said, "We will have no Sunday baseball," but they also wanted us to say "We won't have any parties go up the river with kegs of beer." I said it was better to withdraw the cause of these fellows going up the river with kegs of beer and having these poker parties by having Sunday baseball than it was just to stop there and say, "Thou shalt not."

I feel the same way about this legislation. For instance, I would not be in favor of a bill that simply said, "There shall not be any speculation." But if we could discover the cause of speculation, I would say it would be a good thing to legislate that cause out of existence, if possible, if it could consistently be done.

I have made this one suggestion in my testimony heretofore, that the speculation in American meats in England is due to the fact that they will keep after they are gotten there for such a long time that speculation is possible. The preservatives used in the preservation of these meats is made necessary because of our delayed transportation to the seaboard and our delays at our seaboards. Suppose we could do away with those delays, and thereby do away with the necessity of these preservatives. Then our meats would go into consumption in England, probably, and there would be less speculation, and I believe more content on the part of everybody concerned.

Mr. ANDERSON. I am wondering if you meant the full import of the statement you made about the ill effect of all governmental regulation. For instance, take the regulation by the Interstate Commerce Commission in the matter of discrimination between shippers and between localities. Do you think that that is harmful to the country?

Mr. HORMEL. I, of course, did not mean all governmental regulation is harmful. I meant to confine it to the interests which I pointed out in my testimony; in other words, the public utilities, and not businesses such as ours, which are manufacturing industries.

Mr. ANDERSON. Your objection, I take it, to regulation is to regulations which have the effect or the purpose of destroying initiative in business and of preventing the utilization of your organization in a flexible way to its full capacity. Is not that your real objection?

Mr. HORMEL. I do not believe I fully understand that, Mr. Anderson.

Mr. ANDERSON. Your objection is to what is generally understood to be governmental interference in the sense of an interference which prevents you from using to the fullest extent your own organization and the facilites which you have built up in the business?

Mr. HORMEL. That is the basis of my objection; yes, sir.

Mr. ANDERSON. I take it that you do not object to such regulation or to legal prohibition as is designed to prevent practices which are admitted to be either unfair or against the public interest.

Mr. HORMEL. I am afraid that, as a general propositon I would say I did object to that kind of regulation, too, because we already have statutes and government bodies which will prevent the continuation of harmful practices.

Mr. ANDERSON. You think that resort to a court on account of practices indulged in, for instance, in a stockyards would be a satisfactory remedy?

Mr. HORMEL. That and the Federal Trade Commission.

Mr. ANDERSON. The Federal Trade Commission only has jurisdiction of unfair methods of competition between the concerns engaged in the business; it would not have jurisdiction, for instance, of a dispute which might arise on behalf of a producer as to a practice indulged in, say, by a commission man in a stockyards.

What I am getting at is this: There is testimony before this committee to the effect that certain practices are engaged in, in connection with the purchase of stock by the buyers in the stockyards, by the employees in the stockyards, and by the commission men, which are unfair to the producer. Now, one of the propositons here is a proposition to set up an agency where these complains can be considered and their validity determined and an appropriate remedy applied. Under the present conditions a producer is relegated to his remedy in the courts in case of any such practices. If such practices exist or if the belief that such practices exist is in the mind of the producer to an extent which invites him to reduce his production. do you not think it would be proper for this committee to consider the setting up of a commission which can hear complaints and provide an appropriate remedy, if found to be well proven?

Mr. HORMEL. I believe that it would perhaps be more important for the committee to recommend that some existing body be designated as the one to whom individuals in the live-stock industry might go. But I do not believe that that body should be given anything like the powers and authorities I have heard discussed so far. On the other hand, I believe that if I were a shipper going into stockyards and found that there were some unfair practices indulged in which worked out to my disadvantage, I believe that through the civil courts I could get relief, and as I said in my testimony heretofore, if we should ever find that we were being hurt and we could not get relief any place else, we would be right down here telling specifically what had happened and specifically what steps were necessary to help us out. We would not be talking of generalities.

Mr. MCLAUGHLIN of Nebraska. We have had men here giving such testimony; men who have been hurt.

Mr. RAINEY. Up in your part of the country you come in contact with quite a number of farmers and producers doing business, do you?

Mr. HORMEL. Yes, sir.

Mr. RAINEY. Do you find amongst those you come in contact with any agitation for legislation of this character?

Mr. HORMEL. No. But I am going to tell you one peculiar circumstance. The vice president of one of our local banks owns a farm. and I think he must have misjudged the weight of some hogs at one time, because after he marketed them with us he decided that the individual who purchased those hogs for our account—a buyer in our employ—was not exactly honest, and he has since refused to bring us any more hogs. There are bound to be cases of some individuals who imagine they have a grievance. It goes without saying that our buyer is entirely honest and that he is fair, else we could

not draw the farmers to us who do come with their hogs. And the mere fact that this one person felt that he had not gotten the right kind of a deal does not prove we are all wrong, and I think, perhaps, the same thing is true about some of the testimony which has been laid before this committee.

Mr. RAINEY. Do you find the majority of the producers and farmers you come in contact with are against legislation of this kind?

Mr. HORMEL. That is hardly a fair question to me, because naturally I do not spend a great deal of my time in the live-stock department talking to the farmers, and I can not give you an answer.

Mr. RAINEY. Have you heard any demand up in your country for packer legislation?

Mr. HORMEL. Absolutely none; no, sir.

Mr. RAINEY. Has it been your experience when you go to St. Paul or to other markets to find considerable competition in the purchase of live stock there?

Mr. HORMEL. Yes, indeed.

Mr. RAINEY. Have you found any unfair practices of the Big Five to exist in the stockyards referred to?

Mr. HORMEL. No, sir.

Mr. RAINEY. With reference to refrigerator cars, do you think the packers should be divorced from the ownership of refrigerator cars?

Mr. HORMEL. I absolutely do not think they should be.

Mr. RAINEY. Do you think taking the refrigerator cars away from the packers would enhance the profits of the producers any?

Mr. HORMEL. I think it would so hamper the service rendered by the packing industry that it would be almost immediately and very seriously felt by the entire consuming public, and that the result of it would work a hardship on the producer. My reason for saying that is this: We originally owned a small car line some years ago. We sold the car line because we did not like to have that expense on ourselves. We have lately been forced to go out and purchase more cars because we could not depend upon the supply the railroad furnished us. These cars we own are doing more service than any railroad cars are, for the reason that our traffic manager pretty thoroughly understands it is his job to make that cent a mile that the railroad pays us when they travel. He is one man interested in a few cars, and he is able to keep in touch with them. Furthermore, the men who might be responsible for the delays are departmental heads who work in the same office, and he can go over and straighten the matter up and get action when the cars are delayed. For that reason, if those cars of ours were taken away from us they would suffer delays they do not now suffer and they would not perform the service they now perform; and the result would be that the refrigerator car supply would be most sadly inadequate.

In addition to that, there is another feature if we want to ship we have to rail the cars if we get railroad equipment. It costs on an average of $16.50, I believe, a car to do that job, and the man who ships the beef pays that $16.50.

Mr. WILSON. What do you mean by "railing" cars?

Mr. HORMEL. Putting in 4 by 4's in the roof of the car on which to hang the beef.

Mr. RAINEY. Do you find the farmers and the producers up in your country making money?

Mr. HORMEL. Well, the most of them are driving automobiles of some sort, and a lot of them are driving Cadillacs and cars of that kind. Over $3,000,000 of farm land, all in Mower County, changed hands the 1st of March.

Mr. WILSON. What has been your experience in securing railroad refrigerator cars?

Mr. HORMEL. It is very difficult to do. We have had to call on Congressman Anderson and our Senator and everybody else we knew, and everyone else, to try to keep going the past winter, in spite of the fact that we have 100 cars of our own to fall back on.

Mr. WILSON. What condition are those cars in that you do secure?

Mr. HORMEL. They vary, but I would say that they are in very much poorer condition now than they have been for some time, and almost every one of them needs quite extensive repairs to be made before they are fit to be shipped, like plugging up the cracks around the doors, etc.

Mr. WILSON. Are they clean and sanitary, as a rule?

Mr. HORMEL. We have to scrub every car with hot water.

Mr. WILSON. You do that with your own cars, too, of course?

Mr. HORMEL. Why, yes, but there is a difference. For instance, a railroad car may have carried a barrel of kerosene or something like that and got all scented up so it could not be used, or it may have been loaded with onions, or similar strong-smelling product, and eradicating odors and the like causes a lot of expense.

Mr. MCLAUGHLIN of Michigan. Something has been said about the control or domination because of the influence that the Big Five packers have over the small packers like yourself, perhaps, and I think that idea was involved in the question that Mr. Rainey asked a few minutes ago, but he put two questions together, and you answered one of them and did not answer the other. He asked, Do you feel it to be true that the small packers live and do business by the sufferance of the large packers?

Mr. HORMEL. I, of course, do not feel that way; no.

Mr. MCLAUGHLIN of Michigan. You feel that you are able and are permitted to do business independently of their influence entirely?

Mr. HORMEL. Not independent of it, because the big packer's existence and his very size is always an influence in every market we go into.. He is active and he has some effect.

Mr. MCLAUGHLIN of Michigan. Do you find they are trying in any way that you think is improper to influence your business in a manner that is harmful to you?

Mr. HORMEL. No, sir. As I said, if we ever feel that anything like that should happen we are going to be right up before the agencies that should give us relief and crying for help, and if the courts or the Federal Trade Commission do not afford us relief we would be right down here before some such committee as this telling you what is the matter and giving you our ideas of what ought to be done to help us out. We certainly would not sit around and be hurt and say nothing. I think all other small packers feel the same way. That is why we feel the present safeguards are adequate.

Mr. MCLAUGHLIN of Michigan. Do the other small packers feel the same way? You include them in your answer when you say that

the packers have not been guilty of unfairly influencing or interfering with the business of any of the small packers?

Mr. HORMEL. I can answer that by saying, none that I know of—none that I ever heard of.

Mr. MCLAUGHLIN of Michigan. Do you attend conventions of packers?

Mr. HORMEL. Yes, sir.

Mr. MCLAUGHLIN of Michigan. And at those conventions are matters of that kind discussed, or would they be discussed if such conditions existed?

Mr. HORMEL. Perhaps not in any official sessions of the conventions; but I am sure you would hear it around the outskirts somewhere.

Mr. MCLAUGHLIN of Michigan. And have you heard anything of it?

Mr. HORMEL. No, sir. It so happens that our firm is a member of what is known as the American Provisions Exports Co., one of the Webb Act corporations. We go into those meetings where the packers who belong to that company necessarily become very intimate, because of the export business which they are carrying on, and I have never heard a word about there being any unfair practices.

Mr. VEEDER. Are any of the five large packers members of that?

Mr. HORMEL. No, sir.

Mr. VEEDER. May I suggest that in my opinion Mr. Hormel's attorney had reference to section 6 of the Anderson bill, the second sentence of which reads as follows:

> It shall be the duty of the licensee to comply with the provisions of this act and rules, regulations, and orders, whether or not incorporated in such license, which the Secretary of Agriculture shall from time to time prescribe in conformity with this act.

That sentence would give the Secretary of Agriculture the power to prescribe rules and regulations without any limitations being imposed, and under that rule he probably would have the power to fix prices, and even if he did not have the power to definitely fix prices under that he would at least have the power to so hamper the business with rules and regulations as in effect to fix prices.

Mr. ANDERSON. You are a very much better lawyer than I am, but I do not think that is a sound construction of that provision at all.

Mr. VEEDER. In section 14, which is in regard to voluntary registration, the term "corporation" is defined as follows:

> The term "corporation," as used in this section includes any public, quasi-public, or other corporation or cooperative association.

But it is not limited to those. Paragraph (c) of subdivision 3 of that section provides that it shall be the duty of every licensee under this section—

> To impose only such charges and rates as are reasonable for the service or facilities afforded.

It is my impression that those are the provisions referred to by Mr. Hormel's attorney.

Mr. ANDERSON. Of course, the gentleman reads this thing like the devil reads the Bible; he omits the provisions of the section which make the registration absolutely voluntary——

Mr. VEEDER (interposing). Oh, I said that section 14 comes under that part of the act which requires voluntary registration.

Mr. ANDERSON. You omitted that statement, unfortunately.

Mr. VEEDER. Oh, no. Mr. Reporter, did I not state that section 14 came under the voluntary registration part of the act?

Mr. LIGHTFOOT. I would state for the benefit of the Congressman, if he has not examined that, that the same provision that is in section 14 has been incorporated in section 25 of the so-called modified Gronna bill, the Kenyon-Kendrick bill in the Senate.

Section (e) under subdivision 3 of section 25 of the Gronna bill provides as follows:

> No licensee under this section shall take title to any products handled by such registrant except under such conditions as may be prescribed in the rules, regulations and orders issued under this section. The commission shall administer and enforce the provisions of this section and of all rules, regulations, and orders which it may issue hereunder.

I think that very clearly, under the powers given in that provision, which is an amplification of this section 14, this commission would have the power to prescribe the terms and conditions under which any registrant—which would include the packers—should take title to any product handled by them, which would include live stock.

Mr. ANDERSON. I do not think there is any question about that at all, if they are registered voluntarily under the act.

Mr. LIGHTFOOT. All right. Let me call attention to the fact that under the other provisions of this same bill the powers of the commission are extensive enough to make rules and regulations regardless of whether you register. There is no limitation on the power of the commission however to restrict them from prescribing the conditions under which you should take title.

Furthermore, the bill you have there, as I construe it—you say it was intended to apply to States or municipalities or cooperative societies. That is probably true, but the powers granted under section 6 give to the Secretary of Agriculture the right to make rules and regulations that are not in conflict with the provisions of this act, which would enable him to say that you shall set aside a portion of your facilities for the accommodation of muncipalities or cooperative societies, and it would not be in conflict with the provisions of that act, but would be in conformity with the very powers that are given under section 14. There is no limitation there on the powers of the Secretary of Agriculture or upon the commission under this other bill to do that.

Besides that, in one of the States of the Union the State is authorized under the constitution and laws of that State to establish packing plants. This bill provides that if you violate any rule or regulation you forfeit the license, a receiver is appointed, and we then have the situation of the Federal Government appointing a receiver and taking charge of one of the activities of a State. The same thing would be true as to any municipality that might undertake to go into that business.

It is this character of regulation and the vesting of such unlimited and unrestricted power that, I think, the packers principally object to and that they are fighting against all along the line. In line with that the American National Live Stock Association, which had heretofore indorsed some of these bills, has recently, after considering this matter more thoroughly, abandoned that position of confiding such unlimited and unrestricted power to any governmental tribunal.

and they now ask that any legislation that is enacted be specific in its terms, so that the industry may know in advance from reading it what they are to be governed by. So I think the position of the gentleman was not far wrong.

As I construe the powers given to the Secretary of Agriculture, if he can make rules and regulations without restriction, there is nothing to prevent him from saying to Mr. Hormel, "You must set aside a portion of your facilities to any municipality or cooperative society that wishes to use the same." And I think that the modified bill—the so-called modified bill—is more drastic and more far-reaching even than the bill you hold in your hand.

And in this connection I desire to say that the Institute of American Meat Packers has prepared an analysis of this new bill, which will be at the disposal of any members of this committee that would like to study it. When will they be ready?

Mr. VEEDER. They are ready now; I think they came from the printer to-day.

The CHAIRMAN. May we have copies?

Mr. VEEDER. Yes, sir.

The CHAIRMAN. I wish you would insert a copy of the decree in the record.

Mr. LIGHTFOOT. Yes.

Mr. TINCHER. Has it been finally signed yet?

Mr. LIGHTFOOT. Yes, sir.

The CHAIRMAN. Is that all? If so, we are grateful to you, Mr. Hormel.

Mr. VOIGT. No, Mr. Chairman; I want to ask the witness a few questions. Mr. Hormel, George A. Hormel is your father?

Mr. HORMEL. Yes, sir.

Mr. VOIGT. He was a witness before the Interstate Commerce Committee about a year ago in the meat investigation matter?

Mr. HORMEL. I believe so; yes, sir.

Mr. VOIGT. And he was also a witness before the Federal Trade Commission, or some examiner for that commission, if you know?

Mr. HORMEL. Yes, sir.

Mr. VOIGT. Your testimony is entirely out of line with that given by your father as I read it here, and I want to call your attention to some parts of it.

Mr. HORMEL. May I interrupt there before you go ahead?

Mr. VOIGT. Yes.

Mr. HORMEL. I just want to say this. I do not know what you have your finger on there, but father's biggest disappointment is that he has never been able to get before the Senate committee once more so as to offset the misinterpretations which were placed by that committee upon his testimony. Have you any information to that effect, Mr. Anderson?

Mr. ANDERSON. I know that he requested an opportunity to appear again before the Senate committee, and my recollection is that he desired to appear before the subcommittee that was considering this bill. He wrote me to that effect.

Mr. HORMEL. Yes, sir. The reason is, his testimony was so badly misconstrued and made to read so entirely different from his intentions that he wants to get back before those same men and put his real ideas before them in a true light.

Mr. VOIGT. Why did he not come here?

Mr. HORMEL. Because he is out in California taking a vacation and sent me instead.

Mr. VOIGT. He requested you to appear before this committee as a witness?

Mr. HORMEL. My father wrote a letter to everyone he knew in Congress, I guess, to make sure that if there was another hearing on anything like the same subject his ideas would be properly set down in the testimony in those hearings. I got a letter from Mr. Haugen, the clerk of this committee, telling us of the dates.

Mr. VOIGT. Are you an officer of the company?

Mr. HORMEL. The vice president; yes, sir.

Mr. VOIGT. How long have you been connected with your company in any capacity?

Mr. HORMEL. Well, I was born and brought up in our packing house?

Mr. VOIGT. You were not born in it, I suppose; you want to correct that?

Mr. HORMEL. I mean to say, I have been in the business practically all my life, during vacations while I was going to school, and so on.

Mr. VOIGT. Where do you buy your live stock, chiefly?

Mr. HORMEL. Along the railroads that run into Austin; I should say, within a radius of 50 miles.

Mr. VOIGT. Do you buy in any regular stockyards where you come into competition with the big packers?

Mr. HORMEL. Yes, sir; at such times as we have occasion to do so.

Mr. VOIGT. The packers, or one of the packers, at one time established a packing plant at Albert Lea, which is about 25 miles from your place?

Mr. HORMEL. Yes, sir.

Mr. VOIGT. Do you know, or did you ever think, that that was done for the purpose of driving you out of business?

Mr. HORMEL. No, sir; because it so happens that a gentleman by the name of Dewey Armstrong, who was one of the principal stockholders in the original Albert Lea Packing Co., approached my father to take off of their hands this defunct packing house, which had not been able to operate successfully. My father did not want it, and I understand that he next approached Swift & Co., and after considerable effort he peddled out his packing house. So we know there was nothing in that.

Mr. VOIGT. Have you ever thought that the packers were trying to interfere with your business in any way at all in order to weaken you or possibly drive you out of business or create an opportunity to buy you out?

Mr. HORMEL. Well, if they have had anything of that kind in mind, they have been eminently unsuccessful in it.

Mr. VOIGT. I did not ask you that. Did it ever occur to you that there was any such move on foot? Have you had any intimation that there was any such move on foot?

Mr. HORMEL. No, sir; I have never had any idea that there was such a thing going on.

Mr. VOIGT. I want to call your attention to a letter which is found on page 2096 of part 5 on the hearings before the Interstate Commerce Committee. This is a letter that was written by one employee

of Wilson & Co.—or, rather, their predecessor, Sulzberger & Sons Co.—January 25, 1915. The letter was written to a man by the name of Hawkinson, who evidently represented Wilson & Co. at Albert Lea, at this packing plant. Here is part of the letter:

Believe that the coming week, when we will endeavor to buy up close to the maximum capacity, will demonstrate the question as to the possibility of getting sufficient supply of hogs without we becoming more aggressive.

And there is a further part of this letter which reads as follows:

Unless it is demonstrated by this and next week's prices that we can continue to get the proper volume of hogs in the face of this competition, we will recommend that we place a buyer in strictly Austin territory, having this buyer ship the hogs purchased direct to Chicago or some of our other plants. In order to do this, it would be necessary for some one to go on the ground and study carefully the territory where this could be worked out to advantage.

The city of Austin referred to there is where your plant is located?

Mr. HORMEL. Yes, sir.

Mr. VOIGT. Do you not think that that was an effort to surround your market and get right into your territory and buy in competition with you on the part of one of the big packers?

Mr. HORMEL. Well, I might say that we have endeavored to put Swift & Co. out of business ourselves the last few years by going down into their territory and buying hogs. We have also threatened Cudahy by going into his territory, and I think they are very similar instances.

Mr. VOIGT. I am not asking you to state whom you have threatened; I am asking you whether you do not think this was an attempt on the part of one of the big packers to interfere with your business?

Mr. HORMEL. No, sir; I think it was an effort on the part of one of the big packers to further his own business, and I do not believe he had any evil intentions, any more than we have when we endeavor to extend our hog-buying territory to get more live stock.

Mr. LIGHTFOOT. Could I interrupt there for just a moment?

Mr. VOIGT. Yes, sir.

Mr. LIGHTFOOT. I do not know all the details in relation to that correspondence, but I do know that that was a letter written by one of the employees of Sulzberger & Co. to the head of one of the departments of his own company, making certain suggestions about what they should do in relation to the purchase of hogs in a particular district. That was before Wilson took over this particular plant.

Mr. VOIGT. I stated it was an employee of Sulzberger, who was shortly thereafter succeeded by Wilson & Co.

Mr. LIGHTFOOT. Yes. I want to say further that the recommendation made there was never carried out. It was just a suggestion made by one of the employees of the company to the head of his department, and my information is that it was never acted on.

Mr. HORMEL. Let me say this, please. Supposing, for the sake of a horrible example, that Sulzberger was at that time deliberately trying to undermine the business of the George A. Hormel Co., the fact remains they have been unsuccessful.

Mr. VOIGT. That is not what we are trying to get at.

Mr. HORMEL. I would like to refer back to that part of my testimony in which I said that should conditions arise that we are not

able to cope with others under the legislation and facilities now provided we are going to be down here calling for help.

Mr. VOIGT. That is, if you need help you think that in that case a commission to handle your trouble would be all right?

Mr. HORMEL. No, sir; I think if I should come down here to Washington and hunt out our Congressman and tell him our troubles there would be so much action inside of 24 hours that we would not need any commission.

Mr. WILSON. Right there—Mr. Anderson is your Congressman, is he not?

Mr. HORMEL. Yes, sir.

Mr. ANDERSON. I am very proud of the fact.

Mr. VOIGT. And you also said a few moments ago that if there should be any trouble you would come down to Washington and hunt up the Federal Trade Commission, if I understood you correctly?

Mr. HORMEL. I do not believe I said that. I believe I did refer to the Federal Trade Commission as one of the parties which I understood it would be possible for us to appeal to.

Mr. VOIGT. Yes. In other words, when you are in trouble it is all right to have some form of commission established by the Government to handle your trouble, but apparently you are not willing that there should be a commission which will settle troubles between you and some of the big packers?

Now, let me call your attention a little further to your father's testimony——

Mr. WILSON (interposing). Before you leave that, may I ask this? I wonder if the producer of hogs in your territory objected to the Sulzberger people coming in there and buying hogs in competition with you?

Mr. HORMEL. I do not suppose they did; no, sir.

Mr. VOIGT. I think we will all agree they did not. I did not ask the question for that purpose; I asked it for the purpose of showing that the big packers had tried to put some of the little packers out of business—as an attempt in that direction. The fact that an attempt is made and fails is no argument whatever why there should not be any law to frustrate the attempt. In other words, if you attempt to shoot a man and miss your aim, that is not any reason why you are not guilty of an attempt to commit murder.

Mr. HORMEL. I dislike to take exception to your analogy, but here is the proposition: There is just so much meat eaten in this country and in the markets served by the packing industry of the United States. This business has been taken care of in the past. Our concern, Mr. Chairman, according to its history, has approximately doubled the volume of business it has done every five years. That does not mean that we are going out deliberately to injure some one else. We are going out to build up our own business. I believe that Sulzberger & Sons, and their successor, Wilson & Co., or any other packer, big or small, has the same right, providing they are fair in their methods.

Mr. VOIGT. I am asking you some of these questions with a view to showing that some of their methods are not fair.

Mr. HORMEL. Yes, sir; I understand that.

Mr. VOIGT. Let me call your attention to this statement which was made by your father, under oath, in an investigation by the Federal Trade Commission, which is found on page 2098 of the volume I have referred to. Here is the statement:

It is a very unusual thing for a large packer to interest themselves in a plant right next to another one that is established, especially in the country.

Is that your view also?

Mr. HORMEL. At the time that testimony was submitted, or rather at the time father formed the idea which probably led him to make that statement, it was rather unusual. It so happens that of the so-called big packers there is only one that can be interested at all in what is known as country buying. There is only one of those packers, Wilson & Co.——

Mr. VOIGT (interposing). Let me interrupt you there.

Mr. HORMEL. Pardon me; I want to explain.

Mr. VOIGT. I want to give the date of that statement. Your father testified to that on January 15, 1917.

Mr. HORMEL. Yes, sir; and now since that time there has been one of the packers who has taken a policy that is different from that that has been pursued by the other so-called big packers. Wilson & Co. have kind of taken to the idea of small plants with country buying.

Mr. VOIGT. Yes. And now, just let me interrupt you there. You say, "since that time." But this letter about competing with you in your home town was written in 1915, and your father made this statement under oath in 1917, so that what happened since that time does not affect the situation in 1915.

Mr. HORMEL. That is all very well, but in 1917, as well as in 1915, there were practically no instances of big packers owning country plants. There are not very many now. I happen to know that Wilson & Co. are now taking up the same idea that we pursue, that it is profitable to buy hogs in the country if you can arrange your affairs to do so. That was the first example of their pursuing that policy. It was a surprise to us, and that is what father was trying to say in that testimony. It was unusual at that time.

Mr. VOIGT. You mean to say that this case in 1915 where Wilson & Co. or Sulzberger, bought this plant—that that was the first instance of that kind on the part of the big packers?

Mr. HORMEL. I would not say that, but I would say it was the first we had in mind and the first one we had in our neighborhood.

Mr. VOIGT. Well, do the big packers to-day come into your home city to buy live stock?

Mr. HORMEL. No, sir; but the farmers from our county have done such a thing as to ship hogs 350 miles to Chicago instead of dropping them right there at Austin.

Mr. VOIGT. And did the packers or any of them ever come into your home town to buy stock in pursuance of the letter I read here?

Mr. HORMEL. Not directly that I know of.

Mr. VOIGT. Did they ever indirectly?

Mr. HORMEL. Just so far as they have interested the farmers to ship to distant points, as I have just stated.

Mr. VOIGT. They did try to interest the farmers who naturally were tributary to your plant to ship to them at Albert Lea?

Mr. HORMEL. I can say this in that regard, that right to-day we get hogs from around Albert Lea, and we get a great many hogs from beyond Albert Lea to the west along the southern Minnesota division of the Milwaukee Railroad.

Mr. VOIGT. I did not ask you about yourself. I say, did one of the packers at any time endeavor to get the farmers located near your plant to ship their live stock to Albert Lea?

Mr. HORMEL. Why, yes. Wilson & Co. is now making a constant endeavor to get all the stock within a radius of 50 or 100 miles of Albert Lea, but they are not successful in doing so, and I do not believe they are making any greater effort in that direction than we are ourselves. In fact, I think they are making a less effort than we are, because it is less successful.

Mr. VOIGT. Then, so far as you know, the proposition in this letter to go into your town and buy stock there was not carried out?

Mr. HORMEL. I am inclined to believe that the statement that that was never done is true, because I have never heard of its being done.

Mr. VOIGT. Now, I want to read from the testimony of Mr. Francis J. Heney, found on page 2099 of volume 5 of the Interstate Commerce Committee hearings. Mr. Heney testified to this before the Interstate Commerce Committee:

He—

That is, Mr. Hormel—

said that a big packer would not go out and establish a plant in the country in a hog area where there was a plant already established under any ordinary conditions, because it would not pay. If there were enough hogs there for one plant but not enough for two plants, it would mean that both plants were bound to make less money, and the big packer is not seeking that kind of an investment, and the only purpose that the big packer could have in doing it would be to eventually absorb the other plant. That was his only theory of it—

That is, I understand Mr. Heney is referring to your father's conversation—

and he stated to me he feared that was their purpose, and that he did not like to answer my question on the stand—

That is, when he was under oath—

because he felt that the big packers could, if they wanted to do it, put him out of business, and he did not want to antagonize them in any way.

Now, at page 2099, already referred to, there is a copy of an interview with George A. Hormel on the part of an examiner of the Federal Trade Commission. I want to read only a paragraph or two of that report:

Mr. Hormel seems to realize that the big packers are out to "get him" eventually, but he is not anxious to testify against them. He said that Mr Heney had him on the stand in St. Paul and that he answered the questions as directly and as briefly as he could, telling no more than was absolutely necessary. He doesn't care to antagonize the big packers for he realizes that he is more or less at their mercy.

Then I want to read from page 2100:

Mr. Hormel summed up Wilson & Co.'s purposes for operating this plant as follows—

"This plant" refers to the plant they purchased 25 miles away from you—

1. To divert hogs from Hormel & Co. He used the following illustration: Suppose that Hormel & Co. had been getting 4,000 hogs per day and handled

t an average cost of $1.50 per head. Suppose, then, that the plant at Lea and Wilson & Co.'s buying agencies are able to divert 1,000 head per ın the Hormel plant. Hormel & Co.'s overhead expenses remain approxi- the same for the handling of the 3,000 hogs which they then slaughtered, eir plant expenses are not reduced by 25 per cent by any means. In times that extra 1,000 head of hogs could be handled by Hormel & Co. additional cost of 50 cents per head. By cutting off that supply of ıead. Wilson & Co. cut off Hormel's cheapest production.

ın, there is a further statement here made by your father to xaminer:

son & Co. have bid up the market in the territory approximately 5 cents undredweight. This amounts to $340 a day, or $102,000 a year, to el & Co.

* * * * * *

Hormel said that the operation of this plant at Albert Lea had hurt onsiderably. Previous to its establishment Hormel & Co. were able to are of the hogs in the surrounding territory by operating practically to capacity.

r. HORMEL. May I interrupt now for a moment or two?

r. VOIGT. Yes.

r. HORMEL. In the first place, I want to call attention to the fact everyone listening to this——

r. OBERG (interposing). May I make a little statement right ? I am O. W. Oberg, traffic manager of George A. Hormel & at Austin. It was my privilege to be in Mr. Hormel's office the that Mr. Dudley, the examiner of the Federal Trade Commis- , had his interview which has just been read. It is a long time and I do not pretend to remember in detail the questions asked, answers given, or the discussion that took place; but I am ing to say to you gentlemen now, in an open statement, and I ld testify under oath, that the conclusions reached by Mr. Dudley very far-fetched; that things which were discussed as supposi- s that might happen are quoted by him as facts; and it is some- ıg that some one who knew nothing about the packing business written up from memory.

want to defend Mr. Hormel, in his absence, to that extent.

Ir. HORMEL. If I may take further exception to this you are ling, this gentleman that you refer to there—what is his name, ıse?

Ir. VOIGT. The name of this investigator is C. W. Dudley.

Ir. HORMEL. This Mr. Dudley came into the company in the first ce without making known his business—honestly; he gave some se impression as to what purpose he was there for. He came in :h a preconceived idea, and while he was in father's office and ile he was around our plant he gathered enough local color so that could set down his preconceived ideas and make them look some- nk like what Mr. Hormel might have said.

Now, I want to point out to you the absurdity of this whole busi- ss. We are talking about the big packers using wrong methods to ce advantage of our concern. Even though we admit that the big cker is crooked we have still got to allow that he is a good business ın. I claim the big packer is not going to go out and undergo an pense of $200,000 a year, which Mr. Dudley uses as his figures ere. It must have cost the big packer that to take it out of our ocket. He is not going to spend $200,000 a year without getting any

guaranteed results when for a couple of million dollars he could have bought our whole plants and its organization.

Such methods as Mr. Dudley outlines there would be entirely futile. As I said in the first place, father's greatest disappointment is that he has never been able to appear before the bodies that considered some of that garbled report of what he is supposed to have said, to refute it. And I want to say to you that it should not be considered, because it is absurd; it is not true.

Mr. VOIGT. Well, possibly we can get Mr. Dudley here and see what he has to say about it.

Did you meet Mr. Dudley—this investigator?

Mr. HORMEL. No, sir; I did not meet him.

Mr. VOIGT. You stated to the committee that this man came there under a false impression, or assuming to have some authority which he did not have?

Mr. HORMEL. No, sir; I did not say that. I said he did not make clear the motives which brought him there.

Mr. VOIGT. I understood you to say that he came there and misrepresented himself.

Mr. HORMEL. He did to the extent that he left a false impression as to what he was actually there for.

Mr. VOIGT. Well, you have never met this man, so you do not know of your own knolwledge what he did say when he was there?

Mr. HORMEL. No, sir; but I know from what my father said, and that is better than my knowledge.

Mr. VOIGT. But your father said he got the wrong impression of this man, or something to that effect?

Mr. HORMEL. Well, he has told me a great deal about this proposition, because it has worried him to think——

Mr. VOIGT (interposing). Did Mr. Dudley say to your father—from the talk you have had with your father—that he, Mr. Dudley, was an examiner for the Federal Trade Commission?

Mr. HORMEL. Let us ask Mr. Oberg about that; he was in the room when it happened.

Mr. OBERG. Mr. Dudley came in and I waited on him. My desk is located right near the gate at the entrance of our office. He said he was gathering data for the Federal Trade Commission on the question of the operation of private car lines, which came directly under my department. I took him back into a private office, showed him copies of some contracts for cars which we had leased, and told him as briefly as I could the manner in which we operated them. He had some forms which he filled in as I gave him the facts——

Mr. VOIGT (interposing). Well, you do not need to go further. He did state he was employed by the Federal Trade Commission?

Mr. OBERG. Yes, sir; he told me that when I waited on him.

Mr. VOIGT. I think that is all we want to know now.

Did you know that Wilson & Co. at one time endeavored to buy your plant?

Mr. HORMEL. No, sir; they did not.

Mr. VOIGT. Well, let me read from your father's sworn testimony:

Q. Prior to that time had you ever been approached by any of the large packers with a proposition to buy you out?—A. We have not. You say previous to this—previous to that letter, you say?

Q. Yes; have you since that time——A. Why, not directly.

Q. You think you have been indirectly?—A. I think we have had an opportunity, perhaps.
Q. How long ago was that?—A. Last fall.
Q. Did the party who approached you indicate that he might consider the proposition of buying you out?—A. He did.
Q. Who was it?—A. I would rather not answer that question.

Mr. HORMEL. May I explain that now?

Mr. VOIGT. Just a moment. Then this question was put to your father, I think by Mr. Heney:

Q. Well, it is one of the questions which the commission considers of importance. There have been quite a number of small plants, or plants not so awfully small, either, absorbed during the last year by different large packers, and the commission is making a study of that particular question, and this is directly in line with it. However, if you prefer, you can advise me after you come off the stand, and it will only be used by me in giving it to the commission.—A. All right.

That is the end of the testimony.

Mr. HORMEL. Pardon me——

Mr. VOIGT. Now, just a minute. Evidently your father testified there that he had an offer from some one to purchase your plant, and he did not care to disclose under oath or in public who that purchaser was. Now, I want to read from page——

Mr. HORMEL (interposing). Pardon me; let us dispose of these matters as they come up.

Mr. VOIGT. No; I will be through in one minute. I want to read from page 2099 of the volume 5 already referred to, where Mr. Heney says this:

Mr. Hormel enlarged upon that to me that night at the hotel.

Mr. HORMEL. Pardon me, sir.

Mr. VOIGT. Just a moment; I am reading now. I will give you plenty of opportunity. [Continuing reading:]

He came up and had a talk with me at my invitation, and that is when he told me whom the offer was from, and it was a give-and-take offer that was made by the Wilson Co.—either Wilson & Co. or the S. & S. Co. I have forgotten the date of it as to whether it was before it became Wilson & Co. or not. It was the Wilson Co. that made the offer. I am advised by Mr. Barrett.

Now, if you have anything to say about it.

Mr. HORMEL. I simply want to say this, that as I answered your question in the first place, Wilson & Co. did not make any endeavor to buy our plant.

Before the Albert Lea Packing Co. was ever for sale this gentleman from Albert Lea, as I mentioned a moment ago, came to father and wanted to know if he would take it off the hands of the company. He was not interested at that time in the proposition, but he did later feel that it might have been a good thing for him to have bought that plant, and at that time he approached Wilson & Co. and asked if they would be interested in selling. They were not particularly interested, it seems, and I guess by way of making a trade, he said, "Well, perhaps you would like to buy ours."

The CHAIRMAN. Who said that?

Mr. HORMEL. Father—giving them an opportunity to make a trade; simply as a matter of giving them an opportunity to open up negotiations.

Mr. VOIGT. Your father does not so testify.

Mr. HORMEL. He does not testify any differently, sir.

Mr. VOIGT. I think he does. I will just read again this one question and answer:

Q. Did the party who approached you indicate that he might consider the proposition of buying you out?

Mr. HORMEL. Just a moment. It is not admitted that anyone approached him. He has not said in that testimony that anyone approached him?

Mr. VOIGT. Well, I think that would be the ordinary interpretation of it. Your father said in the testimony that he had an offer to sell it.

Mr. HORMEL. Yes; that is different from being approached.

Mr. VOIGT. And then he was asked:

Q. Did the party who approached you indicate that he might consider the proposition of buying you out?—A. He did.

Then your father was asked:

Who was it?—A. I would rather not answer that question.

Now, if it was not some one who wanted to buy the plant, if there was no secret about it, I see no reason why your father should refuse to answer that question.

Mr. HORMEL. Well, it is very plain to me, because already he had been taken advantage of by the fact that a representative of the Federal Trade Commission had already come to him supposedly for one purpose, when, as a matter of fact, his purpose was entirely different. I do not blame him at all for hesitating to answer their questions, because he did not know whether they were honest in their apparent intentions or whether their real intentions were entirely different from those that he understood were actually behind the questions.

Mr. VOIGT. Be that as it may; you do not want to inform this committee that your father was not approached by some one to purchase your plant?

Mr. HORMEL. I certainly do.

Mr. MCISAAC. Pardon me. You are referring to Mr. Dudley as having gone there under false colors?

Mr. HORMEL. Yes, sir—not as having gone there under false colors, but without making clear his ideas.

Mr. MCISAAC. And that was because your father testified that way?

Mr. HORMEL. No, sir; that was before father testified.

Mr. MCISAAC. That is what I wanted to get clear.

Mr. HORMEL. I should say the attitude of Mr. Dudley was enough to cause the man to be cautious.

Mr. MCISAAC. But your father testified before Mr. Dudley saw him.

Mr. HORMEL. No, sir; not as I understand it.

Mr. LIGHTFOOT. May I suggest for the benefit of the committee that my information is, as said by Mr. Hormel, that Wilson & Co. did not approach Hormel with any purpose or desire to purchase his plant, that they never attempted to purchase his plant. His statement of it is correct.

Mr. McIsaac. I wanted to clear up that one thing.

The Chairman. You may proceed, Mr. Hormel.

Mr. Hormel. I would like to clear it up, to this extent. About the time all this was taking place father conceived the notion that there was a lot of money to be made in poultry and eggs in our territory. He wanted facilities and room to carry on such a business and, as I say, with that in mind he approached Wilson & Co. to ask them if they would care to sell the plant at Albert Lea, which being equipped with refrigeration and so on, naturally would be adapted to the produce business that he wanted to carry on. Remember at the same time that Albert Lea is somewhat of a produce center, inasmuch as Morris & Co., I believe, had quite and extensive establishment there and people were in the habit of sending their eggs and produce and poultry to Albert Lea. He wanted to get a location there, and for that purpose he wished to purchase that plant.

As I say, on approaching Mr. Wilson, or a representative of Wilson & Co., on this proposition he was unable to get the plant offered to him at such a figure that he thought he could buy it. In trying to make this dicker it was brought up to him, simply as an aid to making the trade, that possibly if they did not care to sell their Albert Lea plant they would like to buy his.

Wilson & Co., mind you, all this time did not have any idea to what purpose he wanted to put the plant. He conceded that ours would be a nice plant, and perhaps they would be willing to buy it, and they continued to admit their willingness to buy it until father said, "Well, my price will be so much," and immediately their interest ceased. They were interested, I guess, only so far as they thought they had a chance to pick up a good plant at the actual value of the plant, and the minute they understood that father would want something for his organization that he had built up as well as the physical plant, which would be the only thing of use to a big concern buying our plant, their interest ceased.

Mr. Voigt. Then it is a fact that Wilson & Co. did go so far as to ask the price of your plant?

Mr. Hormel. Well, I would not say that. I will say they listened to the price.

Mr. Voigt. I understood you to testify that they did ask the price.

Mr. Hormel. I do not know whether they asked or whether father volunteered the information. Anyway it was named and it put an end to it.

Mr. Voigt. Well, I assume you are a fair business man. It would not have been very good business for your father to volunteer a price without a price having been called for, at least, would it?

Mr. Hormel. Well, I do not know. I can not tell you just what the words on either side were in that matter. I can tell you the trend of it, though, as I have.

Mr. Voigt. Now I want to read just a few lines further from Mr. Heney's testimony, on page 2101:

I asked Mr. Hormel where he banked. He said he banked with the First National Bank of Chicago, and that he had a credit there, I forget whether he said, of $250,000 or $300,000, but that since this offer to buy or sell had been made to him, the bank had notified him he could have $500,000 credit. I said, "Do you know who controls that bank?" He said, "Why, Mr. Forgan is the man who runs that bank." I said, "Do you know who controls it as to the matter of stockholders?" He said, "No, I do not." "Well," I said, "don't

you know that it is known as a Morris bank, and that at the time Edward Morris died he was the largest stockholder in the bank, and that Mr. Thomas E. Wilson was one of the trustees of the Morris estate, and as such trustee probably had to do with the voting of that stock, and that the young Morrises are interested in the bank?" He said he had never heard any of that.

Then he got to his feet, and put his hand to his head and walked up and down and said, "My God, what can a man do?"

Mr. HORMEL. Mr. Chairman, I want to take exception to this whole business. I call on the Hon. Sidney Anderson to testify with me that my father is absolutely not that kind of man. I do not see any reason for going into this thing now. As I say, it is one of father's greatest regrets that he has never been able to come back before the people who listened to this thing in the first place and set their minds straight and tell them the facts of the case as they should be known and as they are. Mr. Anderson, from personal acquaintance with my father, knows that such an act as is described there is so far from what he would naturally do that it is preposterous to even consider it, and to drag it in here before a body of gentleman like this is, I think, unreasonable and not related to the subject under consideration.

If there are any questions that have to do with the present legislation I certainly will be glad to answer them, and I am certainly glad to be at your service so far as I can, but I do not like to have this thing dragged out and rehashed.

Mr. WILSON. I only speak for myself, but I will say this, that the statement that Mr. Heney makes here, or has made in the testimony in any case he has ever been connected with, has absolutely no weight with me, whether it is under oath or whether it is not under oath. I do not know about the rest of the members, but that is my opinion of Mr. Heney. So you need not think that I am influenced at all by anything that Mr. Heney has said or done in any case he has ever been associated with.

Mr. LIGHTFOOT. I would like to make this statement also, which I think will illuminate that kind of testimony. It is one of the things the packers have complained about in regard to the investigations made by the Trade Commission from the beginning. From the very fact that Mr. Wilson happened to be one of the executors of the estate of Edward Morris and at the same time occupied a position on the board of directors of this particular bank, they put those circumstances together and distort them to make it appear that that might have had some influence in extending credit to Mr. Hormel.

Mr. MCLAUGHLIN of Michigan. What difference does it make whether he got a credit of $300,000 or $500,000?

Mr. LIGHTFOOT. I want to show what the real facts were; that at the time of this transaction that is referred to Mr. Wilson had resigned his position as executor or administrator of the estate of Edward Morris. When he took over the business of Sulzberger and went to the head of that institution he severed his connection with the Morris estate by resigning as one of the executors under the will, but he did continue to occupy his position on the board of directors. And Mr. Wilson has testified that he knew nothing of the transaction referred to by Mr. Heney or that Mr. Hormel had ever made application for a loan. And Mr. Heney leaves the impression from his testimony that by virtue of the fact that Mr. Wilson was connected with the Morris estate as executor and was at the same time

a member of the board of directors of this bank, they had used that situation to the injury of Mr. Hormel.

Mr. McLAUGHLIN of Michigan. No; he said they extended him a larger credit after that.

Mr. LIGHTFOOT. No; he did not say that.

Mr. McLAUGHLIN of Michigan. Pardon me; that is what the testimony says; that previous to that Hormel & Co. had had a line of credit with that bank of about $300,000, and later it was extended to $500,000. I do not see that it is material in the least. I can not see that it is any reflection on Mr. Hormel.

Mr. LIGHTFOOT. I will show where I think it is material, if I may be pardoned. The inference is and was in that line of testimony that by virtue of the fact that the large packers had some interest in banks they were using that power to either the advantage or the disadvantage of the small packers who might be borrowers at such a bank. Whether it was to increase it or decrease it, the principle is the same. But the fact is that Mr. Wilson never knew, as a director of that bank, that Mr. Hormel had made application for any loans.

The CHAIRMAN. Mr. Hormel, do you regard the statement as a reflection on your father?

Mr. HORMEL. No, sir.

The CHAIRMAN. I desire to say that I lived for many years within 30 miles of Austin, I know the Hormels reputation well, and I know their word has never been questioned in our section of the country.

Mr. HORMEL. Thank you, Mr. Chairman, for that statement. The only thing I take exception to, sir, is that it should be inferred by anyone that there is any question as to my father's veracity. Furthermore, I would not want the impression to obtain for one moment that he is given to any such actions as described by Mr. Heney there in that passage that was read, and I am sure that anyone at all that is acquainted with my father would not give any credit to that last portion that was read.

The CHAIRMAN. He has been misquoted in this report?

Mr. HORMEL. Absolutely; yes, sir.

Mr. McLAUGHLIN of Nebraska. Well, now, Mr. Chairman, I am not personally acquainted with the Hormels, and therefore I assume that they are straightforward, upright gentlemen. I do not question any statement that has been made by the witness at all. Neither do I agree with what Mr. Wilson has said relative to the veracity of a member of the Federal Trade Commission, and I resent the statement of one just as much as I would the questioning of the veracity of the other. I do not see any conflict in the testimony. The son did not hear what the father said, and therefore there can be no questions about the statements. I think it is entirely out of place for any of us here around this table to come out in a point-blank, general statement that we have not any confidence in Mr. Heuey or in some other member of this commission. So far as I am concerned, I do not share that view at all, and I do not believe the other members of the committee do.

Mr. WILSON. You will notice that I said that I spoke only for myself, and it may be I know a little more about Mr. Heney than you do. He was not a member of the commission anyway; he was only their attorney.

Mr. ANDERSON. Mr. Chairman, Mr. Hormel desires to get away at 6.10. He has had an opportunity to put the record straight with respect to these matters which, I assume, he desired to have an opportunity to explain or to make a statement with reference to. If there is not any further examination, I hope the committee will allow Mr. Hormel to go.

Mr. RAINEY. May I add, Mr. Chairman, that when Mr. Hormel receives a copy of his testimony given here, if there is any correction that he wishes to make or any statement he may wish to add permission to do so be now given him.

The CHAIRMAN. He will have that permission, certainly.

Mr. MCISAAC. Mr. Chairman, I do not intend to interrupt at all, and I am doing this entirely on my own responsibility as an individual. There is something that has crept into the record, I think by inadvertence. I do not think Mr. Hormel meant to say it, but the Dudley interview shows on its face that Mr. Hormel talked to him about the testimony he had given previously at the Heney hearing, which shows clearly that that interview took place after Mr. Hormel had testified. I do not think Mr. Hormel wanted to imply that his father's testimony was given because he had first seen Mr. Dudley.

I do not know Mr. Dudley. As far as I know, I never saw him. I do not know anythings about him at all. But these impressions get into the press, and they might do Mr. Dudley some injury: and I just wanted to make it clear in the record that that part of Mr. Hormel's testimony must be an inadvertence.

I would also like to make it clear that the testimony was taken last spring—the testimony Mr. Voigt read—and that the Senate committee sat for two months, about, during the summer. Perhaps it may be fair to ask Mr. Hormel if his father was on a vacation at that time.

Mr. HORMEL. He endeavored to come before them later, but was unable to do so.

The CHAIRMAN. Is Mr. Dudley the gentleman who went to Louisiana?

Mr. MCISAAC. I do not know Mr. Dudley at all; I do not remember seeing him.

Mr. VOIGT. I want to say this: I am not asking these questions or reading from this report for the purpose of embarrassing this witness. I think he is a gentleman. I am not going to pass upon the credibility of this witness' father or upon the credibility of Mr. Heney. I read from this report because what I found in this report was completely out of line with what this witness gave on direct examination, if you are so pleased to call it, and I thought it proper to put this matter before the committee in connection with this gentleman's testimony.

I put this testimony in here for what it is worth, to show that the big packers possibly do harass the little packers and do, possibly, engage in some unfair practices in order to drive them out of business or for the purpose of buying out their plants. I want to ask the witness just another question or two.

How far do you ship your product?

Mr. HORMEL. To Sweden, England, Holland, France.

Mr. VOIGT. You consider yourself one of the small packers, do you not?

Mr. HORMEL. Yes, sir.

Mr. VOIGT. I am asking that for this reason: Mr. Weld stated before noon that the place of the small packer was to answer a local demand only, and that the big packers were the fellows that were shipping to a distance. Now, you are a small packer and you do business just as far away as the big packers do, do you not?

Mr. HORMEL. Well, perhaps. We have single sales as far away from home as the big packers. Perhaps we sell a bill of goods through a broker at a distance as far away from home as the big packers do. But there they have their own organization. For instance, a very good friend of mine is in the employ of Swift & Co. at Genoa, Italy. We are not able to maintain employees at any such distances.

Mr. VOIGT. Well, let us confine ourselves to the United States. Your product is not consumed in the vicinity of your plant, is it, to any large extent?

Mr. HORMEL. Of course our best territory is the territory contiguous to our plant; but we have our own branch houses, for example, at Atlanta, Ga., and Dallas and San Antonio, Tex.

Mr. VOIGT. Well, the largest part of your product is sent to distant points in the United States?

Mr. HORMEL. A good part of it is; yes, sir. I would not want to make any statement as to the proportion the outlying sales would bear to the near-by sales.

Mr. VOIGT. Would you want to say that 50 per cent of your product is consumed within 200 miles of your plant?

Mr. HORMEL. I have not in my mind any figures that would give that information. If that would be of interest to the committee I would be glad to look up the statistics and send them in.

Mr. VOIGT. You can make a fair guess on that point, I believe. You are in the business.

The CHAIRMAN. Mr. Hormel, I understand you want to get away on the 6 o'clock train?

Mr. ANDERSON. Yes, sir; he wants to get away.

Mr. WELD. Let me ask one question. Mr. Hormel, you are a small packer; I do not suppose you would want to tell us about what volume of business you do, in round numbers?

Mr. HORMEL. My testimony already shows; $30,000,000 a year.

Mr. WELD. Are you a large enough concern to afford a branch-house sales organization?

Mr. HORMEL. A very small one.

Mr. WELD. And you have some branch houses?

Mr. HORMEL. Yes, sir.

Mr. WELD. You have a sufficient volume of business to enable you to have a distribution system through a few branch houses?

Mr. HORMEL. Yes, sir.

Mr. WELD. That is all, sir.

The CHAIRMAN. We are very grateful to you, Mr. Hormel.

Mr. RAINEY. I am going to ask the committee to hear Gen. Ryan, of Cincinnati, Ohio, the patriarch of the packing business, who has a statement to make. Give your name and address, General, to the reporter.

STATEMENT OF MR. MICHAEL RYAN, PRESIDENT OF THE CINCINNATI ABATTOIR CO., CINCINNATI, OHIO.

Mr. RYAN. As far as I can hear, the bill now under consideration here is in substance that same as the Kenyon bill that was before the Senate committee last fall. I had the privilege of testifying at that hearing, and so did quite a number of other smaller packers and a very large number of live-stock men from all over the country. As far as I could see and hear in the investigation and from the reports of the investigation, the consensus of opinion—the overwhelming sentiment—was that the Kenyon bill would be a severe blow to the packing business.

I represent the packers of Cincinnati, about 10 in number. Their annual slaughter amounts to about 1,000,000 hogs and 200,000 cattle.

Business there has had a steady and natural growth for some years back and is fairly prosperous. We congratulate ourselves on the fact that, unlike many other places, we have been singularly free from labor troubles.

Our packers in Cincinnati look on the Kenyon, Gronna, and Anderson bills with great apprehension, and are decidedly opposed to their becoming laws. Our argument is that while under such laws they (the packers) will be required to furnish the needed capital and assume all the risks, the entire control of their business will not remain in their hands, and its management and direction in a large measure will be under the control of an official with bureaucratic powers—a man without experience or money interest in the concern.

If we understand the provisions of this proposed law it compels the packer to apply for a license, and this license will not be granted until he, the packer, signs the agreement to abide by all the rules and regulations set forth by the Secretary of Agriculture to govern the operation of his business.

The Secretary of Agriculture has the power to withhold a license from a packer if he should so determine, and if the license is granted and that packer or an employee of his should violate any of the rules or regulations, no matter how trivial, absurd, or unreasonable, the Secretary may suspend the license.

A commissioner of foodstuffs, an appointee of the President who is under orders from the Secretary of Agriculture, is the executive officer, and when the packer's license is revoked he, the food commissioner, can apply in the courts for a receiver to take over the packer's plant and business and operate such business. The packer's only recourse will be through the courts, and we know the uncertainties and losses such litigation will entail. The daily fluctuations in the price of live animals and the products of same require quick action in buying and selling in order to take advantage of opportunities offered, and the business head of the concern must be in position at all times to promptly decide on purchases and sales.

As there is nothing in the bill to define how far the food commissioner may go, he may assume dictatorship of a company's affairs. Not only may he dictate the kind of goods a packer must handle, but the quantities of live stock to be bought, when to buy, and when to slaughter, regardless of price. Even the credits and accounting he may take under his control.

This our people think will impair the initiative, the ambition, and the enterprise so requisite to success in meat packing.

It will divide authority, which will prove very detrimental. An employee with a supposed grievance, in order to get even with the company has opportunity to violate the law which would put the penalty for such violation on the company.

It will encourage the spy system in a large plant so that an employer will not know where he is at, and demoralization will ensue. The Government official in control, if he is whimsical and afflicted with hobbies of his own, has power to order nonessential and expensive improvements which will impair the ready capital of the concern. What inference can be drawn from all this other than that the introduction of those red-tape methods into packing operations will, through an increase in the pay roll and in the overhead, largely swell the cost of manufacture and as a consequence materially increase the price of meat to the public?

It may be safely conjectured that after a year or two of experience under such laws men will want to get out of the business and there may be as many packing houses for sale then as there are breweries and distilleries now, but the greatest danger of all is that such needless legislation will be the means of putting this great American industry into politics, and then Lord have mercy on us all.

It is not safe to clothe any official with discretionary power except in times of war, especially in a business of so delicate and complex a nature as meat packing.

Government interference in several things which worked hardship to many during the war was borne cheerfully and without a murmur by loyal Americans, but now that we are trying to get back to normal conditions is it for the good of the people to put our country's greatest and most essential industry under a control as a arbitrary as martial law? Experience has taught us to believe that Government interference with the business of the country will prove disastrous. We have abundance of laws at present to punish fraud, extortion or illegal combination, and we men in business respectfully ask our honorable legislators to give us a chance to straighten our backs under the load we are carrying before placing additional burdens upon us. You know there are times when even a straw will break the back of a camel.

There is a supposition in the minds of many who have not read the bill that the proposed legislation is aimed at the large packers only. Of course, we know that it governs all the packers large and small who do an interstate commerce business. We are all in the same boat, and while the large packers with their wonderful resources and great financial strength may be able to do business under the harassing and exasperating conditions imposed by this legislation, I am painfully apprehensive of its effect on many of the smaller packers whose whole life's industry is represented in their packing plants and the money with which they carry on their business. I feel confident that if you gentlemen had a proper conception of the vicissitudes and risks attendant on the packing business you would not for a moment consider such drastic measures when they are needless and do not in the slightest manner conserve the public good. I assure you it is a very dangerous experiment and may entail evils difficult to remedy.

Gentlemen, I want to say a word about the large packers, and I will open my remarks by just a little occurrence that happened to me with the large packers some years ago. I was, you might say, born and raised in the pork-packing business. My father before me was in that business. We packed hogs exclusively until about 20 years ago when we took on beef, and then we were right up against it. At that time Armour, Swift, and Morris had three large branch houses, one each, in the city of Cincinnati, and they were doing a very extensive business. I looked up the situation a little, and I was impressed with the belief that they were selling in Cincinnati from 35 to 40 per cent of all the meat consumed there, and I thought it was a shame in an old packing town like Cincinnati, situated in a live-stock center, to have these outsiders come into our town and get the business.

I spoke to our people about it, and we came to the conclusion to give them a run for their money, and we went right at it. The fight lasted three years and it was a very hot one, but at the end of that time Armour and Morris pulled stakes. Swift remained, but he cut down his capacity one-half, and he is the only one of the big packers that has a branch house in Cincinnati, and he is doing a comparatively small business.

Mr. McLAUGHLIN of Michigan. That is, at the present time?

Mr. RYAN. At the present time; yes, sir. He is the only one of the big packers in Cincinnati that has a branch house there. That goes to prove that these big fellows are not as invulnerable as they are supposed to be.

Mr. ANDERSON. None of the Big Five have packing plants in Cincinnati, have they, General?

Mr. RYAN. No, sir; none of the Big Five have packing plants there. And if they were the buccaneers in business that they have been represented to be, with their financial strength, there would not be a grease spot left of our little concern in 30 days.

Mr. McLAUGHLIN of Michigan. In answer to Mr. Anderson, you said that none of the Big Five had a plant there. I understood you to say a moment ago that Swift had one.

Mr. RYAN. A branch house; not a plant; a small one. It did double the business a good many years ago before we got into the meat business. That goes to show, to my mind, that these big packers are not as much to be dreaded by the small packers as they are said to be.

I am not here to talk for the big packers. I have been over 30 years in the packing business and while I have been in no way connected with the big packers except as a competitor, I can truthfully say that neither in the purchase of live stock or in the selling of meats have I ever seen any disposition on their part to crowd out the smaller packers, and I think every other small packer in the country will confirm this statement. But while they are very strong competitors of our I can not but admire their wonderful spirit of enterprise. They were the first to engage in the slaughtering of hogs and cattle on a huge scale, and by their scientific methods were enabled to utilize the by-products of the live animals which previously went to waste and manufactured them into commercial commodities for which they found a ready market.

By this means they were able to greatly reduce the cost of the meat portion of the animal. They also found the means, through refrigerating cars, of distributing meat products to the remotest parts of the country. By providing ready markets for the live animals in immense quantities when fattened, they gave a tremendmpetus to the raising of live stock all over the West. It was found he most profitable branch of agriculture, and the farmers and stock aisers all got rich. It was through the wonderful enterprise of hose Chicago packers that we grew to be the greatest live-stock roducing and meat-eating Nation on earth. People who give little hought to the subject are ignorant of how the big packers became o prosperous.

There are two essentials to the successful operation of a large packng plant. One is to have within reach at all times an abundant upply of the raw material cattle, hogs, and sheep. In order to naintain this supply prices must be paid for the live stock sufficient o yield a reasonable profit to the farmer and live stock raisers so as o encourage them to make a regular business of raising and feeding neat animals for market. If the farmers find that raising stock loes not pay they will abandon it and take on other lines of agriculure. This would be a great calamity to the packer. Shortage of upply would put his big ship on the rocks and spell ruin to his busiess. What short-sighted policy for a packer to adopt, if there s truth in the allegation that they combine for the purpose of squeezng the live-stock people and bearing down prices. Why is it then hat live-stock raising has become so general in this country? The nswer is, The ready cash markets American packers have made for neat animals in almost unlimited quantity brought about the growth nd development of this great industry.

I have read the testimony of some western livestock men before his committee who are very bitter and almost vindictive in their ttacks on the big packers. I am inclined to believe these men repreent only a very small percentage of that large enterprising class of eople engaged in the live-stock business who realize what a benefit ne large packers have been to them, numbers of whom came to Vashington last fall and testified to that fact.

The other essential to successful meat packing is the quick disposal f the products. I have alluded to the facilities for distribution rovided by the packers, but transportation facilities would be inufficient if prices were not attractive to the public. To this end ne packers reduce their profits to a minimum which looks unreasonbly small, but to compensate for this all their energies are directed build up volume and tonnage. The big packer is satisfied if his arly sales show a profit of 2 cents on the dollar, and last year the les of the five large packers, according to their publicly audited ports, showed a profit of much less than that named. Therefore, you buy from one of their branch houses to the amount of $10 orth of meat you may be assured the packers' profit is about 20 nts, or on a purchase of $100 worth the profit is $2.

I don't think there is any man or woman who will object to payg a manufacturer $2 profit on a purchase of $100. On a light turner a profit so small would look ridiculous, but on the immense olume these packers build up through their equipment, organization, id facilities they are well satisfied. It is apparent, therefore, that

the bigger the business of the packers the better it is for the general public. This entered into the minds of the justices of the Supreme Court of our Nation when, a few days ago, they gave a decision refusing to dissolve the most gigantic corporation in the country, the Steel Trust, the main objection to it being its huge size and monopolistic tendencies. The learned justices decided that the public welfare was paramount to all else in their refusal to disturb its operations. With the high prices and ready sale the farmers are meeting with for their live stock and the slight margins of profit that accrue to the packers through the manufacture and sale of their products, it is well for you to ask yourselves the question, Will the public be benefited in not only disturbing but disrupting existing conditions in the packing business by enacting the drastic legislation here proposed?

I might add just a word. There is one blunder that, with all their astuteness, the big packers have committed. They have permitted their business to grow too big. I believe from what I have heard and seen that big business is in very great disfavor in this country. There is a class of people, and they are getting more numerous all the time, who hate to see a man engaged in business grow more than about 4 feet high. That is the socialistic spirit; it is not the true American spirit that accords to every man in the country the right to grow as big as he is able to grow, so long as he does not interfere with the growth of his neighbor.

Now, gentlemen, the packers are accused of the offense that through their greed and rapacity they have kept up the price of meat on the consumers all over the country. That charge is pretty general, but if you will look at the packers' price list for their meats of every description that they turn out of their packing houses you will come to the conclusion, gentlemen, that from every angle meat is lower in price to-day than any other prime necessity of life, by reason of the immense business done by these men and of the slight margin of profit.

I know, gentlemen, that you public men have your tribulations too. I know there is a great strain on the public now by reason of these very high prices, and they are complaining, and complaining bitterly, and they are petitioning Congress by letter, by telegram, by personal appearance, through committees, and in one way and another to reduce the high cost of living. Well, gentlemen, you may be able to do that temporarily by legislation, but it can not be done permanently. You can afford no permanent relief by legislation, because you might as well try to control the rise and fall of the tides as to change the immutable and inexorable law of supply and demand.

There is one thing you can do in Congress here, gentlemen, and I think we all ought to do our share as far as it is in our power. You can encourage the maximum production to the very limit. Encourage production. That is the only way out of it. Mr. Hoover adopted that policy at a time when we were in sore need, and through it we were able to supply our own people, our own Army, the allied peoples and their armies, through these two terrible years of destructive warfare.

There is another thing you can encourage, gentlemen. You can encourage the people of our country in some way or another to

liminate waste in the use of food products. I saw by the paper few days ago, and I heard it alluded to here to-day by an honorable ıember of this committee, that a movement is now on foot by the)epartment of Justice for an educational campaign with regard to ıe use of meat. It is a fact that about 25 per cent of the beef nimal is used for the choice cuts—the sirloin steak and the short-ib roast, while the other 75 per cent of that animal is sold for a ery reduced price. For instance, the good cuts bring in the mar-et 50 cents a pound, while these others that remain after the good ıts are taken out bring from 15 to 25 cents a pound.

Now, common sense teaches us that all the parts of a good choice ell-fed steer are sappy and palatable and nutritious, and instead f demanding the choice cuts, which keeps the price mounting all ıe time, our people should use some of these cheaper cuts and use ıem in the way that is prescribed, and they will find they will get long without so much high-priced beef.

That is a very good movement that is on foot at the present time, ıd I give the Department of Justice a good deal of credit for en-)uraging that campaign, and I know it will have a good effect. In ıis way, gentlemen, we can encourage harmony in the use of food.

A Frenchman about two years ago told me that there was just about ; much food wasted by the American people in one year as would ed the stricken peoples of Belgium and France for six months. ow, it is time we were remedying that great evil, and if you gentle-en will go to work and encourage production and manufacture to ıe limit in every way, and also educate our people to rigorous econ-ny and thrift in the use of foodstuffs; if we all cooperate together; the people, the Government, the packers and the producers, work ıeerfully in a spirit of mutual cooperation as we did during the war, am inclined to think, gentlemen, that in less than a year and a half e will have a return to normal conditions.

That is all I have got to say. If there are any questions to be asked will cheerfully answer them.

Mr. HUTCHINSON. I just want to ask one question, Mr. Ryan. ave you noticed any reduction in production yet?

Mr. RYAN. In the country? All over the country?

Mr. HUTCHINSON. Yes.

Mr. RYAN. Well, it varies from one year to another.

Mr. HUTCHINSON. You said Mr. Hoover had increased production. ave you noticed any reduction? Are there fewer cattle being pro-ıced?

Mr. RYAN. Yes, sir; there are less cattle marketed and there are ss hogs. I have not the exact statistics, but there are less cattle d hogs marketed now than last year.

Mr. HUTCHINSON. Do you know what the price of corn is out in ncinnati?

Mr. RYAN. No; I know what the price of corn is in the Chicago ırket—about $1.40, I believe.

Mr. HUTCHINSON. Yesterday it struck $1.40½. What is pork worth Chicago?

Mr. RYAN. I think about 35 or 35½ cents.

Mr. HUTCHINSON. That is live weight?

Mr. RYAN. No; that is pork—in barrels. Hogs sold in the Cin-ınati market yesterday at $16 a hundred.

Mr. HUTCHINSON. Then they can raise pork by feeding corn at $1.40 a bushel and selling hogs for $16 a hundred and make money on them?

Mr. RYAN. I do not know much about that; but the hog raisers complain to me at the present time that they are not making money. There are districts in the country that have hogs and very little corn, and they are forced to buy the corn. And you know that $16 in the country means to the farmer only about $15 in the market.

Mr. HUTCHINSON. That is all I wanted to ask of you.

The CHAIRMAN. The ratio between corn and hogs was fixed at 13 to 1?

Mr. RYAN. Yes; 13 bushels of corn to the hundred pounds.

The CHAIRMAN. Thirteen bushels of corn would be worth $19.50; would it not?

Mr. RYAN. Yes, sir.

The CHAIRMAN. You say the price is $16?

Mr. RYAN. Sixteen dollars; yes, sir.

The CHAIRMAN. At that price there is a loss of $3 a hundred?

Mr. RYAN. There seems to be a loss in raising hogs. They all complain.

The CHAIRMAN. You were speaking about the decrease in production. Is it possible that it is due to the alleged discrimination? For instance, when corn was $2 a bushel.the price of hogs was, I believe, $16.50. There was a discrimination of about $10 a hundred?

Mr. RYAN. Yes. Well, of course, the farmer does not depend entirely on the corn to feed his hogs; he has alfalfa, and other feeds that he mixes up. There is one thing very evident, and that is that the farmer will not raise hogs if he is going to lose money. There is a scarcity of stock; I think they can not get the breeding stock. Cattle are running very light in numbers all over the country at the present time, and hogs are several hundred thousand—well, I have not the exact statistics, but there has been a very large reduction in the marketing of hogs this year compared to last year and the year before.

The CHAIRMAN. You were speaking about the educational campaign, about educating and encouraging the people to use cheaper cuts. We did that with flour. Do you know with what result?

Mr. RYAN. I do not know; I have not been paying much attention to flour.

The CHAIRMAN. They have several million barrels of flour on hand that can not be sold here. They are trying to sell it to other countries. It did not seem to work out. I do not believe the American people take kindly to the cheaper cuts of meats or the cheaper flour. They buy the best.

Mr. RYAN. Well, there is a science of housekeeping, you know, that enables some families with good cooks to get along with much less of the expensive meats than others.

The CHAIRMAN. But good cooks are scarce, are they not?

Mr. RYAN. Yes, I guess they are pretty scarce; but as a general proposition I would just as leave take a nice good chuck steak off a good well-fatted steer and eat that as I would a sirloin steak off the same steer, if it is properly cooked. I do not know. Just try the chuck steak. You can get a fine chuck steak and get it cooked right and see if it has not the same flavor and the same tenderness, too.

The CHAIRMAN. It might have to you, but it has not to a great many others.

Mr. RYAN. You know I am in the business in a practical way, and I see these things.

The CHAIRMAN. Are there any further questions? If not, we are very grateful to you, sir. The committee will stand in recess until 10 o'clock in the morning.

(Thereupon, at 6.10 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m. to-morrow, Thursday, March 11, 1920.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

THURSDAY, MARCH 11, 1920

PART 14

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Thursday, March 11, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman), presiding.

STATEMENT OF MR. L. D. H. WELD, MANAGER COMMERCIAL RESEARCH DEPARTMENT, SWIFT & CO., CHICAGO, ILL.—Resumed.

The CHAIRMAN. Mr. Weld, when you are ready we will proceed with the hearing.

Mr. WELD. Mr. Chairman and gentlemen of the committee, yesterday I was explaining that Swift & Co. has no agreement of any kind with any other packer to effect the prices of live stock or the prices of meat, and I gave you a number of positive evidences of the fact that competition exists and pointed out that there are no results that ordinarily flow from combination that you can point to in the packing industry.

The principal basis for the charge of the Federal Trade Commission that there is an agreement is that the percentages of purchases of live stock remained approximately constant from year to year, a point which I shall take up in detail.

That brings us to the Federal Trade Commission's report and I want to make some general remarks about the Federal Trade Commission's report and then take up this charge that we have an agreement to divide receipts, one of the untrue charges of the Federal Trade Commission's report. Mr. Colver told you that the sole charge of unfairness that we had made against the Federal Trade Commission is that it suppressed the facts. Mr. Colver's words were as follows, page 59, part 1 of the hearings before this committee:

As I was stating, the basic objection to this report is that it is unfair; and the sole proof, or rather, the sole allegation, of this unfairness rests in the statement that the Commission suppressed some things and published others.

Mr. MCLAUGHLIN of Michigan. That statement was made by whom?

Mr. WELD. By Mr. Colver before this committee, two weeks ago.

Then he went on to say that the packers had never supplied those "mysterious things," to use his expression, which we claimed had been suppressed.

First, with regard to his charge that the suppression of facts is the only criticism we have made of the Federal Trade Commission. In "Analysis and criticism of part 2 of the report of the Federal

Trade Commission,"—I will pass copies of that pamphlet around in a minute—we make the following charges on page 6:

First, the evidence does not warrant the conclusion that a monopoly exists;
Second, that the Federal Trade Commission omitted correspondence and other ascertainable facts which completely controvert contentions made in the report;
Third, that the Federal Trade Commission described perfectly sound business practices as though they were illegitimate or improper;
Fourth, report is replete with insinuations and wrongful interpretation of facts; and
Fifth, that the report contains actual inaccuracies in its figures and statements.

Then, on page 8 of this pamphlet we state that the report itself is one-sided and that it is practically the brief of a prosecuting attorney and contains evidence of only one side.

Mr. ANDERSON. Where does that statement appear?

Mr. WELD. On page 6 of the "Analysis and criticism," except the last statement is made on page 8.

Mr. YOUNG. What is that?

Mr. WELD. This is the "Analysis and criticism of part 2 of the report of the Federal Trade Commission." I will pass these copies around; we might as well do it now.

Mr. YOUNG. When was that gotten out?

Mr. WELD. This was issued April 5, 1919, nearly a year ago. These are the charges which we make against the Federal Trade Commission in the "Analysis and criticism," and you compare with that Mr. Colver's charges before this committee that the sole criticism was the suppression of facts.

To support this contention of ours against the Federal Trade Commission we issued this "Analysis and criticism," and other documents where we supplied some of those "mysterious" things as well as offered various other criticisms of the report; not only have we furnished this "Analysis and criticism" to supply those mysterious things, but I call your attention to these other documents that have been distributed to you with this "Analysis and criticisms," an answer of Swift & Co. on the Federal Trade report on profiteering, a statement issued with respect to the summary of the report of the Federal Trade Commission, and the rejoinder of Swift & Co. to statements that the Federal Trade Commission made in answer to our criticisms. Not only that, but you will find in my testimony before the Interstate and Foreign Commerce Committee of the House of Representatives a year ago, the Senate Committee on Agriculture a year ago, and the Senate Committee on Agriculture last summer, probably in all a few hundred pages of testimony and cross-examination, that a very large part of my evidence had to do with the Federal Trade Commission's report and supplies the proof of our charges of unfairness. Compare this with Mr. Colver's charge that we never supplied the missing facts. When asked if we had——

Mr. TINCHER (interposing). If you will pardon me, Mr. Colver mentioned certain documents and certain information which he was specific that the packers had promised to produce. You heard his testimony, and so it will not be worth while for me to go over that. Have those documents been produced?

Mr. WELD. He was specific in just one instance. That was something about the promise of Mr. Armour to furnish some information about the Stockyards Co. That was merely a promise to ask somebody else to supply the information. I know nothing about that, but that is the specific instance he referred to.

Mr. TINCHER. You are familiar with all of the records; has that nformation been furnished?
Mr. WELD. I do not know; but it was not in Mr. Armour's power o furnish it, anyway.
Mr. TINCHER. You know about that?
Mr. WELD. I know that he was a minority stockholder in that orporation, and he said that he would ask somebody to furnish that nformation. Who was that?
Mr. VEEDER. Mr. Prince.
Mr. WELD. That he would ask Mr. Prince to furnish that informaon.
Mr. TINCHER. The information affecting that specific instance has ot been furnished, to the best of your knowledge?
Mr. WELD. I do not know.
Mr. WILSON. As long as you are talking about the Federal Trade ommission, I just wondered if you had read the Republican platrm adopted by the New York State convention and if you remember ading in that document what they had to say about the Federal rade Commission?
Mr. WELD. I have heard, Mr. Wilson, that they have a plank in that atform which criticizes the Federal Trade Commission. I have ot——
Mr. HULINGS (interposing). Is the Federal Trade Commission on ial, or what is the purpose of this?
Mr. WILSON. Nobody is on trial.
Mr. HULINGS. It seems to me that the Federal Trade Commission is.
The CHAIRMAN. The Federal Trade Commission has made certain arges. Prof. Weld is refuting the charges.
Mr. WILSON. I think you will all be interested in what they said that plank.
Mr. YOUNG. I do not know what that has to do with this hearing.
Mr. WILSON. There are a lot of things that have gone into this aring not relevant, we all know that. This one paragraph of the atform says——
Mr. ANDERSON. I want it all read or none of it.
Mr. WILSON. All of the platform?
Mr. ANDERSON. Yes, sir.
Mr. WILSON. Or that which pertains to the Federal Trade Comssion?
Mr. ANDERSON. All or none of it.
Mr. WILSON. I do not know that all of it should be inserted in the ord, but I do think that possibly this one plank might be, Mr. derson.
Mr. WELD. I object to having my testimony cumbered up with whole platform.
Mr. WILSON. Here is what they think:

We charge that the Federal Trade Commission as at present constituted has deliberately prostituted its proper function. It has persecuted trade, instead of promoting ade.

That was the attitude of the New York Republican State Convenn on the way the Federal Trade Commission has been acting during past few years.
Mr. ANDERSON. That plank will never be accepted in Chicago.
Mr. WILSON. I do not know whether it will or not.

Mr. TINCHER. There are other planks in that platform.

Mr. MCLAUGHLIN (of Michigan). If this witness believes that the Federal Trade Commission report is not fair or accurate, he should certainly have the privilege to state that fact and to prove it if he can to this committee.

The CHAIRMAN. You may proceed, Mr. Weld.

Mr. WELD. Mr. Chairman, the whole case against the packers depends very largely, almost entirely, on the report of the Federal Trade Commission. The Federal Trade Commission has made recommendations as to what should be done. If it can be shown that the charges of the Federal Trade Commission have no foundation in fact, it has a very vital bearing on this whole question of legislation, an extremely important bearing on the question of legislation.

Mr. VOIGHT. Before you proceed, you said that Mr. Armour had made a promise to get information from some one else?

Mr. WELD. As I understand—I did not pay special attention to it—he promised to ask somebody to furnish information, if it could be done. I do not know what the wording was.

Mr. VOIGT. My recollection of the hearing was that he made a promise to supply information about the Chicago Stockyards to the committee and never did anything pursuant to that promise; but there was a letter—not from him, he having made the promise, it was a letter from Armour & Co.—saying that they knew nothing about it, but that they had referred the matter to Mr. Prince, and there has been no reply from Mr. Prince.

Mr. WELD. I think it was read into the record, the actual testimony of Mr. Armour on that point. His promise was to ask Mr. Prince to supply the information.

Mr. VOIGT. I do not recall that that was the case.

Mr. WELD. I think that can be verified.

Mr. VOIGT. He promised to furnish the information. There seems to be a question of passing the buck, and no information has been furnished.

Mr. VEEDER. I was present during that testimony. The subject under discussion was the ownership of Mr. Armour in the Chicago Stockyards, in the holding company, a Maine corporation, and Mr. Armour then said that he held stock, I think, not to exceed 15 per cent.

Mr. ANDERSON. Nineteen per cent.

Mr. VEEDER. May be 19 per cent. He was asked if he could furnish the information as to the organization of the company, particularly, perhaps with reference to the so-called bearer warrants, and he said that he was only a minority stockholder, but he would be glad to ask Mr. F. H. Prince, who was the controlling stockholder, to furnish that information. Subsequently, there was a letter filed from Armour & Co.—instead of being signed by Mr. Armour it was signed Armour & Co.—that the matter had been referred to Mr. Prince, which, it would seem to me, showed that the promise of Mr. Armour to ask Mr. Prince to furnish that information was carried out.

Mr. ANDERSON. While we are on the Chicago Stockyards matter, my recollection is that Mr. Swift testified that he expected to get something out of the Chicago deal.

Mr. VEEDER. If you will refer to the page and volume when Mr. Swift expressed that expectation, I would be glad to see it.

Mr. ANDERSON. I remember that Mr. Swift testified that he expected to get something out of it.

Mr. VEEDER. I can assure you that he did not get anything out of it.

Mr. TINCHER. I do not want to be misunderstood by the question I asked you. I remember that Mr. Colver said in his testimony that he was going to be specific in the statements he made concerning the packers, and asked when you came on that we ask you to be specific.

Mr. WELD. All right; I shall be specific.

Mr. TINCHER. I hold no brief for the Federal Trade Commission, neither do I consider the Federal Trade Commission's findings as binding or final upon this committee as to whether we should have packer legislation.

Mr. WELD. Mr. Colver was asked whether the packers had complained directly to the Federal Trade Commission about the unfairness of the commission and Mr. Colver answered in only one instance had that been done, and that was in the case of——

Mr. ANDERSON (interposing). If you will permit me, I should like to put in this testimony of Mr. Swift.

Mr. WELD. Certainly.

Mr. ANDERSON. Referring to page 1024 of the record of hearings upon the bill S. 5305, Senator Norris asked these questions of Mr. Swift:

For 15 years you had been getting your share of the interest on the $3,000,000. Now, when this operation with Mr. Prince commenced, you expected to have that, or its equivalent, continued if you remained in Chicago, did you not?

Mr. SWIFT. I was in hopes to.

Senator NORRIS. And you have not gotten that, you have not gotten anything out of that?

Mr. SWIFT. No, sir.

Senator NORRIS. What I am trying to get at is this: As to this bonus that it seemed Armour continued to get, do you expect to get a bonus somewhere?

Mr. SWIFT. There is no promise to that effect.

Senator NORRIS. I understand. You have not gotten it. But you do feel that Prince and Armour treated you squarely in that deal; you understand that Armour got his share?

Mr. SWIFT. Yes, sir.

Senator NORRIS. And he remained in Chicago, and you remained, just the same, and did not get anything. What I am trying to get at now is this: Is there some place where you expect to get it yet?

Mr. SWIFT. Why, I do not know of any place.

Senator NORRIS. Have you ever talked it over with Mr. Armour?

Mr. SWIFT. No, sir.

Senator NORRIS. Did you think Mr. Armour was treating you squarely in that deal?

Mr. SWIFT. It does not look very square.

Senator NORRIS. Did Mr. Morris get his share?

Mr. SWIFT. I do not know anything about that, not that I know of.

Senator NORRIS. You were all in, and expected to get the equivalent for what you had been getting for 15 years in the way of a bonus?

Mr. SWIFT. I can not answer about Morris, Senator.

Senator NORRIS. You understand Armour got his share?

Mr. SWIFT. Yes, sir; from the evidence here.

Senator NORRIS. From his own testimony?

Mr. SWIFT. Yes, sir.

Senator NORRIS. Have you ever told any of the parties interested in it that you had not been treated right and you expected your share of that bonus?

Mr. SWIFT. I have not made any such statement.

Senator NORRIS. You have not made a demand on anybody?

Mr. SWIFT. No, sir; I have not made any demand.

Senator NORRIS. Do you think there is any prospects of your getting it from any source?

Mr. SWIFT. I could not say, Senator Norris. I have no thoughts in the matter; it is a blank in my mind.

Mr. HENEY. You would not refuse it, I suppose, Mr. Swift?

Mr. SWIFT. If it was legal and could be done clean and aboveboard, I might not refuse it. If it had to be done under cover, I might.

Senator NORRIS. Do you know any way in which it could be done aboveboard?

Mr. SWIFT. I can only repeat, if the way was in existence and it could be done legally and aboveboard, I might participate. If it has to be done illegally and not aboveboard, I would refuse to participate.

Mr. WELD. I do not think it requires any answer. Are you through, Mr. Anderson?

Mr. ANDERSON. I think that is all of it.

The CHAIRMAN. You may proceed, Mr. Weld.

Mr. WELD. I was just saying that Mr. Colver was asked whether the packers had complained to the Federal Trade Commission, and that Mr. Colver replied that only in one instance had the packers done so; that one attorney for Morris & Co. had made a protest to the Federal Trade Commission. I call your attention to the fact that when the investigation started in 1917 we had no idea but that the investigation would be fair, impartial, and scientific. After Mr. F. J. Heney was employed as special attorney for the Federal Trade Commission and when he began to hold public hearings around the country and began to read scraps of correspondence from our files into the records, which, of course, were published in the daily papers, we immediately began to protest at that time. This whole matter was thrashed out in the Senate hearings last winter, and the correspondence relating to our protests to the Federal Trade Commission was reproduced in the House hearings on H. R. 13324 before the Committee on Interstate and Foreign Commerce, part 5, pages 2242 to 2257. I am not asking that those 15 pages be made a part of this record and I shall not read all the correspondence that occurs in those 15 pages, but I shall enumerate the principal things that are covered in the 15 pages of correspondence relative to the protests on the part of Swift & Co.

First. There is shown a telegram from Mr. L. F. Swift sent to the chairman of the Federal Trade Commission on February 17, before the investigation began, offering cooperation and free access to books and also willingness to furnish any information wanted by the commission in making its investigation.

Second. The protest to the Federal Trade Commission beginning October 3, 1917, after the investigation had begun, against the unfair interviews given out by Mr. Heney and the unfair methods used by him in conducting the investigation and hearings;

Third. You will find there the correspondence with regard to Mr. Swift's attempt to see President Wilson, his failure to get such an interview, and his protest to President Wilson on the unfairness of the methods of the Federal Trade Commission. This was during the investigation in February, 1918.

Fourth. This material also includes a protest of October 10, 1918, against the charges in the summary of the report, which had been issued in July, and the request for a hearing before the issuance of the final report. In answer to this telegram, Swift & Co. received the following reply:

> Your telegram 10th. If your attendance is found necessary you will be advised.
> By direction of the commission.
>
> COLVER, *Chairman.*

That was dated October 11, 1918.

Fifth. In the material you will find correspondence involving numerous other protests that we submitted against the illegal taking of original documents from our files and the giving of confidential information to the newspapers.

Mr. ANDERSON. I have no objection to your going into that, and I am not going to raise the question, but, of course, if that question is raised again, I want it understood that we will have the privilege to go into the entire matter.

Mr. WELD. All right. Do you want to go into it now or later on?

I will say, in addition to these protests directed to the Federal Trade Commission itself and to the President of the United States, that we published these four documents, which I now hand you, copies of which were also sent direct to the Federal Trade Commission, we protested in newspaper interviews when the reports of the Federal Trade Commission were made public, and we protested in paid advertisements in the newspapers, and yet Mr. Colver tells you that we did not protest direct to the Federal Trade Commission, except in one case. We protested the best we knew how and we continue to protest to-day, hoping that some day the American people will realize the injustice that has been done our industry.

Mr. ANDERSON. I have no objection to your going into anything you want to, but I just want the members of the committee to understand that if this old matter is brought up we will hear both sides of it.

Mr. WELD. Shall I proceed to get down to specific cases?

Mr. ANDERSON. You may proceed in any way you want to.

Mr. WELD. In criticizing and analyzing the report of the Federal Trade Commission I am going to base my criticism primarily on part 2 of the report. This is the part that has to do with the question of collusion and the question of monopoly, which is the heart, you might say, of the whole Federal Trade Commission report; and this was issued before part 1 was issued, because, I suppose, it was considered that it was of prime importance to establish or to attempt to establish that there is a monopoly in the packing industry.

In making my criticisms I shall prove to you, first, that the principal conclusions of the commission are not justified by the evidence produced; and,

Second, that data have been suppressed in numerous instances, and these data often controvert the very contentions of the commission.

Mr. ANDERSON. You think that the Federal Trade Commission should have made public all of the data?

Mr. WELD. It should have made public the data on both sides of the question and not made statements and then taken certain data from our files which apparently proved its contentions, and then omitted other data which disproved the contentions. I say that is unfair and unscientific, and I can prove it.

Mr. ANDERSON. Do you think that the Federal Trade Commission ought to have conducted itself in the way they thought, or in the way you thought?

Mr. WELD. They should have conducted an impartial investigation.

Mr. TINCHER. I do not know that I just understand you. They said that you did so and so, and they submit a part of your files showing that you did so and so, and you say that there were facts in the files that showed you did not do so and so, and they left them out?

Mr. WELD. It is practically that, although I would not say it in exactly those words.

Mr. TINCHER. It would be a peculiar set of files?

Mr. WELD. No, sir; not at all. You can find data in one single telegram which will absolutely support a principle that the Federal Trade Commission is trying to establish, and you will find other data in the same telegram which proves that the contention that the Federal Trade Commission is trying to prove is not true.

The point that I will take up is this question of the monopoly charge and the fact that the purchase percentages remain approximately constant from year to year. Mr. Anderson referred to this in his testimony and said that the uniformity of the percentages is not denied and that it is a damaging statement on our part.

Mr. ANDERSON. That is an inference on your part.

Mr. WELD. Possibly it is.

Mr. ANDERSON. I have no objection to your making any inference, but if a man is objecting to inferences he ought not to make inferences.

Mr. WELD. What would be the particular point, we do not deny these——

Mr. ANDERSON (interposing). You do not deny them?

Mr. WELD. No; I shall come to that in a moment. Mr. Colver laid very great stress on this matter of the alleged division of receipts and said that part 2 of the Federal Trade Commission's report shows these approximately constant receipts. This is the most vital part of the whole Federal Trade Commission report. It takes up in part 2 a discussion of these approximately constant receipts, covering 50 pages, from page 29 to page 78. If I can disprove this contention, that the approximately constant percentages are proved by an agreement, I believe that the argument of the Federal Trade Commission practically falls. The controlling assumption of monopoly that runs all through the rest of the report is based on the assumption that the fact has been proved in these 50 pages. If I can show you that the Federal Trade Commission has not proved an agreement to divide receipts, why, as I say, it knocks the bottom out from under the whole Federal Trade Commission report.

It is true that the percentages of receipts bought by the large packers remain approximately constant from year to year. The truth is, however, as I have often explained before, and as is explained in these various documents, that, in the first place, there is no agreement to divide receipts, but that the situation results from keen, watchful competition and not by any agreement. Purchases are made in open public market places. Each packer can see what the others are doing. In fact, purchases are reported in the daily papers the purchases of each of the large packers.

Swift & Co. for years have kept a record of these purchases from week to week, not only its own purchases but the purchases of its competitors. I remember when I first came with Swift & Co., looking over the records they kept in the hog department, and I found these records of our purchases. For example, last week and the pur-

chases of the other packers, our percentage of the total, our purchases last year for the corresponding week, our percentage of the total, and the percentage of the other packers, and I asked: "Why in the world are you keeping these records?" The answer was: "So we can see what we are doing. If our Omaha manager is falling down 3 per cent below what he was doing last year we go after him and try to get him to do a larger business. We do not want to fall behind in any one market and we do not want to fall behind in purchases in all the markets together."

Mr. TINCHER. Your contention is that the tables furnished by the Federal Trade Commission are correct as to the percentages, but their conclusion in the main to prove a monopoly or agreement or collusion is wrong?

Mr. WELD. Yes, sir. I have not checked up all the Federal Trade Commission's figures, although I can show you some interesting tables which have been omitted from the Federal Trade Commission's report, but I take it that their figures are substantially correct.

Mr. TINCHER. You heard Mr. Colver's argument as to how these percentages proved practically an agreement among you?

Mr. WELD. Yes, sir.

Mr. TINCHER. You say that the argument falls, as it does not amount to any proof of the fact?

Mr. WELD. Yes, sir. I think you will appreciate that better when I get through proving my point.

Mr. TINCHER. I understand. You are really arguing your point; you have stated the facts and are now arguing what it proves?

Mr. WELD. I think I can give you sufficient evidence to satisfy you that these fairly constant percentages are not the result of agreement.

Mr. VOIGT. Is the table on page 50 of part 2 of the Federal Trade Commission's report correct?

Mr. WELD. I do not think that we have ever checked it up. That is immaterial, whether it is exactly correct or not. It gives a slightly wrong impression, especially the diagram at the bottom of the chart on page 50, because the percentages are cumulative and necessarily iron out in that way.

Mr. VOIGT. I am referring to the table on page 50. Is that correct?

Mr. WELD. We have never checked it up, but we assume that it is substantially correct; that is the situation practically; yes, sir.

Mr. VOIGT. You make no complaint about that table?

Mr. WELD. No, sir.

Mr. VOIGT. Do you know of any other line of business where such a close check of purchases is kept on competitors, as shown by this table for your line of business?

Mr. WELD. I imagine there is no other business where each competitor keeps such a close line on the others. I do not imagine there is another industry where it is possible for each competitor to keep such a close tab on what his competitors are doing, but I shall show you in a minute where the same situation obtains in other industries as obtains in this industry with regard to fairly constant percentages.

Mr. VOIGT. You say that you keep buyers in the various yards, so that they do not fall below or behind the percentage of purchases?

Mr. WELD. As shown by our past performances, our past records, and the percentage that we, as individuals, want to maintain in that

particular market. It is perfectly true that we figure these things in percentage. We know approximately what we want to get in each market, what percentage of the total we want to get.

Mr. VOIGT. According to your statement your aim is to always get up to this certain percentage, as shown by this table?

Mr. WELD. We always want to keep up, at least, the percentage of business that we have been doing, but we want to get more than that, if we can. As you understand, the competition in prices in the markets is within narrow limits; that is, narrow price limits. We do business on such a close margin that in order to increase our percentage of the business, we can not afford to go out and overbid the market half a dollar. It means an absolute loss, and it also means that the other packers would do the same thing; we will all suffer a loss. It is true that to a certain extent we do avoid cutthroat competition. That, however, does not mean that there is no competition in the market; but it means that it is a healthier situation where there is actual competition, and yet no cutthroat competition. As a matter of fact, there is some cutthroat competition, because we are fools enough to keep on buying cattle when we are reasonably sure that they will lose us money. You can see in the Yearbook where it shows that week after week we have lost money in our cattle business. Why we do that we can not explain to ourselves. I suppose it is due to a feeling that things will take a turn for the better and that next week we will come out all right.

Mr. VOIGT. You avoid this cutthroat competition by staying within the purchases that you have been in the habit of making?

Mr. WELD. We do not aim to stay within the percentage. We aim at least to make the percentage that we have been making in the past, and we are going to increase that percentage, if we possibly can. Possibly, this would be a good time to show this chart.

Mr. VOIGT. The figures here show that you have been very successful in coming up to your percentage, and have been wonderfully careful not to go beyond that percentage?

Mr. WELD. As I was saying, in the case of cattle purchases, we have rather been considered successful in the increase of the percentage—in the packing industry that may not sound like a very substantial increase—I think it was from 33.7 or 33.8 to 35 per cent of the total cattle purchased in five years. That meant in the five years we handled over 100,000 more than we otherwise would have handled if we had not increased the percentage.

This [indicating] shows our percentage of the total cattle purchased by weeks for a period of six years, and it shows that the percentage fluctuates very greatly from week to week. The straight line here [indicating] indicates the percentage for the whole year. You will see that this straight line [indicating] giving our percentage for the whole year has been gradually rising.

Mr. ANDERSON. Have there been any new plants established in that period?

Mr. CHAPLIN. One or two small plants, which did not amount to much.

Mr. ANDERSON. Have you taken over any new plants in that period?

Mr. CHAPLIN. I can not remember any.

Mr. WELD. The Andalusia and Moultrie; they are not in here.

Mr. VOIGT. While you increased in cattle purchases, you have unfortunately fallen behind in the purchase of hogs?

Mr. WELD. I do not think we have fallen behind; I do not think we have. I think we have just about held our own.

Mr. VOIGT. There was no increase in your purchases shown for the year 1916 in these tables.

Mr. WELD. You say there was no increase?

Mr. VOIGT. Do you know what all of your purchases were as compared with all of the purchases of all of the five packers?

Mr. WELD. In hogs?

Mr. VOIGT. In all lines.

Mr. WELD. I do not remember any such figures. You throw all the live stock together, and I do not think——

Mr. VOIGT (interposing). The figures show that all the five packers kept up a constant ratio of purchases of all lines during that year?

Mr. WELD. I do not think there are any tables that show the combined purchases of all kinds of animals. As I said, in hogs there has been no substantial increase. We consider this a substantial increase in the cattle purchases. It means that our proportion increased 1.3 per cent in five years.

Mr. VOIGT. There is a table, I think, produced by Mr. Colver, which in my opinion, is still more damaging to you than this table on page 50. The table which he produced showed the percentage of total sales of these five packers in the year 1902 and that in the year 1916 the percentage of sales of those five packers was practically exactly the same that it was in 1902.

Mr. WELD. Not of sales?

Mr. VOIGT. Yes, sir; sales of all commodities.

Mr. WELD. I do not remember that.

Mr. VEEDER. Perhaps I can throw some light on that. The figures that Mr. Colver introduced were the percentages of these five packers showing their relative proportion of business which they had done in a period of time before 1902 in the sales of dressed beef only.

Mr. ANDERSON. Those were the so-called beef percentages?

Mr. VEEDER. The sales of dressed beef made by the five big companies in the period prior to 1902. It did not show the sales of any other products whatsoever.

Mr. ANDERSON. Is it not true these percentages of Cudahy are substantially like the percentages shown in these tables?

Mr. VEEDER. That depends on what you mean by the word "substantially." I think that these tables that Mr. Colver showed as to the present figures are not percentages based upon the sale of any products, but are percentages of purchases of some live stock, cattle, hogs, and sheep. The percentages of purchases of live stock have varied a great deal. One reason why no packer can not go into the market and increase his amount of purchases of live stock constantly and keep going up is because the moment he undertakes to boost his volume he boosts the price, and he can not afford to boost the price of live stock above the price that he can get for his meat. There is a certain limit, because he has to stop buying at some point or lose more money than he can afford. As Mr. Weld has said, there is a constant increase in the proportion of cattle purchased by Swift & Co. on the market. Swift & Co.'s aim is to increase its purchases of live stock all the time, and in order to increase it must not be

permitted to fall below. At the same time the instructions are to increase just as fast as they can, but at the same time to buy the live stock at a price so that in the long run we can make some profit on the sale of meat.

Mr. WELD. This shows our experience in cattle purchasing from 1913 to 1918, and how that compares with 15 or 20 years ago I do not know, but the percentages have not changed substantially even in the last 15 years, and I can still show you that they are not the result of any agreement.

I might mention also in passing that this matter was introduced in the case in 1912 when we were acquitted by a jury as not guilty of conspiracy.

Mr. YOUNG. Where was that case tried?

Mr. WELD. Where?

Mr. YOUNG. Yes, sir.

Mr. WELD. In Chicago.

Mr. YOUNG. On the criminal side of the docket?

Mr. WELD. I did not understand.

Mr. YOUNG. On the criminal side of the docket?

Mr. VEEDER. The National Packing Co.—that is, the individuals owning that company; that is, Messrs. Armour, Morris, and Swift. and some of their associates—were indicted in 1911. After an investigation by the grand jury lasting some three months—I spoke of this yesterday.

Mr. WELD. It is all in the record.

Mr. YOUNG. Unfortunately, I was sick. I do not want you to go over the ground again.

Mr. VEEDER. That trial lasted three months before a jury and in the trial the Government presented evidence which they thought showed that the packers were apportioning live-stock receipts at the yards, just the same charge made here——

Mr. YOUNG (interposing). If that was gone into yesterday, I do not care to go into it now, but to clear up my mind, I should like to know whether they were indicted on the criminal side of the docket for conspiracy, and was it under the Sherman Act?

Mr. VEEDER. Yes, sir.

Mr. YOUNG. And they were acquitted under that indictment?

Mr. VEEDER. They were acquitted by the jury under that indictment.

Mr. YOUNG. That is all.

Mr. VEEDER. That was in March, 1912.

Mr. VOIGT. Before you get away——

Mr. WELD (interposing). Pardon me, but suppose that I finish my statement, and then you can ask all the questions that you desire. I want to clear up the criticism of the whole Federal Trade Commission's report. There is one other point that I want to make. There is really nothing to be surprised at that these percentages should remain approximately constant from year to year. There is a tendency toward uniformity in large numbers anyway.

You take the death rate, for example, the death rate in a small town of 100 people, a village, will vary from zero to 30 a thousand from year to year. You take a larger town, 20,000, 50,000, or 100,000, and you will find that the death rate does not vary more than a very small fraction of 1 per cent from year to year, it will be 16.2 per

cent this year, it will be 16.3 per cent next year, and so on. I am merely calling your attention to the fact that in statistics involving large numbers there is this tendency to uniformity. That, of course, applies to such things as the birth rate, the marriage rate, etc.

Mr. VOIGT. Will you permit an interruption right there?

Mr. WELD. Yes, sir.

Mr. VOIGT. You do not want to say that the death rate regulates any man's business in this country, do you?

Mr. WELD. I am not saying any such thing. I am merely calling your attention to the surprising uniformity in large numbers. Statisticians call it the inertia of large numbers. Knowing that in the packing industry there is no agreement to divide the receipts, I have gone on the theory that this situation might possibly obtain in other industries. I would not expect necessarily to find any industry where the percentage of business done by each concern would remain so nearly constant from year to year as in the packing industry, for the simple reason that there is no other industry that does so much in the open where each concern can see what the others are doing.

But in looking up the figures from other industries I found some very interesting and surprising results, not only outside the packing industry but likewise among the small packers. I compiled the figures of purchases of hogs in the Chicago market alone, the purchases of the large packers and also of the small packers, every small packer located in Chicago—these are the names of the companies here, the Western, the Anglo-American, etc.—I found that the percentages for most of these packers, in fact for all but this one, the Independent Packing Co., were astonishingly constant from year to year, that this company, the Independent, fell off 2 or 3 per cent, that variation was no greater than the variation of Wilson & Co.'s percentage of the total purchases in Chicago. In other words, if there is an agreement to divide the receipts the small packers must also be in that agreement. They, of course, could very well be in such an agreement, if one does exist, but so far that has not been alleged. I am merely showing you that the same situation obtains as to the small packers as well as to the large packers.

Going outside of the packing industry I looked up the new premium business of the leading life insurance companies of the country and found out what the percentage of each was to the total. There are some variations here [indicating]. Apparently the Northwestern Mutual and New York Life have no agreement with the other companies or, perhaps, the Northwestern Mutual was, perhaps, more conservative in its war risks than any other company in the country, and that may account for the falling off.

I notice in case of the other companies that the variation is extremely slight, practically the same situation as you will find with the packing business.

Mr. ANDERSON. That is an average over the entire country. It does not demonstrate why you buy 50–50 at Denver.

Mr. WELD. We do not buy 50–50 at Denver in the meaning you have in mind.

The most surprising thing of all that I found, I took the sales of Montgomery-Ward and Sears, Roebuck for a series of years and put them together and found what the percentage of each was of the total.

The total sales of those two concerns have been increasing very rapidly from year to year, and I have never heard it alleged that they have any agreement to divide business, but I found a most astonishing constancy in the percentage of the total done by each of those two concerns. As a matter of fact, I need only show you that diagram to prove to you that the fairly constant percentages in the packing business should be accepted as prima facie evidence that there is not an agreement to divide receipts.

I also looked up some figures with reference to the railroads. I have no diagrams to show the results, but I took a group of roads, such as the Great Western, North Western, etc., in 1913, 1914, 1915, 1916, 1917, 1918, and 1919—I will put all of these figures in the record, but I will not try to read them in.

For example, the Great Western, North Western, St. Paul, Soo, Chicago, Burlington & Quincy, and the Chicago & Alton; the Great Western from 1913 to 1919 was as follows: 4.4, 4.5——

Mr. ANDERSON (interposing). The percentage of what?

Mr. WELD. Of the total business of these six railroads, the percentage of each computed.

The Great Western ran 4.4, 4.5, 4.5, 4.3, 3.9, 3.8, and 4.1 of the total.

The North Western ran 25.8, 26.7, 26.1, 25.8, 26.2, 25.3, and 26.1.

I will insert the whole table in the record.

Then I also did the same thing for the Southern Railroad, the Seaboard Air Line, the Louisville & Nashville, and the Atlantic Coast Line, and I found, for example, for the Southern Railway, from 1910 to 1913 that it ran as follows: 35.9, 36, 36.1, 36.3, 36.7, 37.3, 37, 37.5, 39.1, and 37.9, a variation of over 1 per cent in one year.

(The table referred to by Mr. Weld follows:)

Total business of western roads.

[1917, 1918, 1919 from Commercial and Financial Chronicle; other years from Poor's Manual.]

Year.	Great Western.	North Western.	St. Paul.	Soo.	C., B. & Q.	C. & A.
1913	4.4	25.8	29.2	6.6	29.3	4.
1914	4.5	26.7	28.9	5.9	29.5	4.
1915	4.5	26.1	29.5	5.8	29.5	4.
1916	4.3	25.8	29.9	6.4	29.0	4.
1917	3.9	26.2	27.3	8.3	29.4	4.
1918	3.8	25.3	30.4	7.1	28.6	4.
1919	4.1	26.1	28.2	8.0	28.9	4.

Total business of southern lines.

Year.	Southern.	Seaboard Air Line.	L. & N.	Atlantic Coast Line.
1910	35.9	12.6	32.8	18.
1911	36.0	13.0	32.2	18.
1912	36.1	13.0	31.0	19.
1913	36.3	13.0	31.5	19.
1914	36.7	13.2	31.0	19.
1915	37.3	12.8	31.0	18.
1916	37.0	12.9	31.9	18.
1917	37.5	12.5	31.8	18.
1918	39.1	12.0	31.3	17.
1919	37.9	12.1	31.4	18.

Tonnage output of newsprint paper.

[From News Print Service Bureau.]

Mill No.	1	2	3	4	5	6	7	8
1916	42.2	15.6	10.5	8.1	7.6	7.2	4.6	4.3
1917	46.5	14.6	10.3	6.5	7.0	7.2	3.7	4.3
1918	44.2	15.1	11.1	6.6	7.2	7.4	3.8	4.5

Mr. ANDERSON. That is based upon fixed rates, is it not?

Mr. WELD. Not entirely. They were increased up to 1919.

Mr. ANDERSON. I know, but the rates for the same service were uniform as to all roads.

Mr. WELD. I do not know.

Mr. ANDERSON. No competition as to the price of service?

Mr. WELD. But there is competition in getting business, and the packing industry is also compelled to buy the live stock at prices which are practically the same from day to day, although it does result from competition. Each packer's average purchases for a day would be approximately the same.

Mr. ANDERSON. But as to a line of railroad, for the most part, but not completely, there would be a monopoly of traffic over its lines?

Mr. WELD. To a certain extent so far as local points are concerned. So far as through freight is concerned, no.

I was able to get figures from one other industry that I will speak of, the output of news print paper. This case has apparently no effect in showing any combination, because it had a variation of or 4 per cent in one year and the others all ran approximately the same from year to year. These figures I was able to get for only three years, 1916, 1917, and 1918.

Mr. ANDERSON. I think you have an unfortunate case there. I am afraid that you would have difficulty in convincing some of the newspaper men that there was no combination.

Mr. WELD. There has been the most extraordinary change in the whole paper industry within the past few years, especially since reciprocity with Canada. There have been a number of new companies that have come in, especially Canadian companies and American companies that have gone into Canada. There has been very little development in the news-print paper industry in the United States in the last few years, whereas it has been increasing in Canada very rapidly.

I never heard about an agreement between the paper concerns; I never heard it alleged that they had an agreement between them to limit production. If there is any such agreement it would invalidate my statistics, but it seems very remarkable that an industry that has been changing so in the last six or seven years that the percentages should remain so astonishingly constant from year to year. I can not divulge the names of the mills in this case. No. 1, the largest, was 42.2, it jumped to 46.5 and back to 44.2, but the others changed only a fraction of a per cent; No. 2, 15.6, 14.6, and 15.1; No. 3, 10.5, 10.3, and 11.1, and so on, the percentage of the total. Those figures will furnish for the record.

Of course, my point in all of this is the fact that the percentages remained practically constant in the packing industry is not at all

surprising; it is a situation that obtains to a certain extent where large numbers are involved and in other industries where there is no thought of a division between the competing concerns, as I show on that one chart of Sears, Roebuck & Co. and Montgomery-Ward & Co. You can not accept the approximately constant percentages that obtain in the packing industry as proof that there is any agreement to divide receipts.

Mr. ANDERSON. Assuming that is true, I hope you will discuss what the Federal Trade Commission claims is evidence which corroborates their claim that these percentages are not the result merely of the economic laws or usual averages, but the result of agreement or design?

Mr. WELD. I am ready to answer any question on that line now, if you have any, and if you want any explanation of the Federal Trade Commission's evidence. What evidence has the Federal Trade Commission that this was the result of an agreement?

Mr. ANDERSON. I do not know that there is any direct evidence: I am not able to refer to it.

Mr. WELD. Is it not rather significent that there was no direct and positive evidence there?

Mr. ANDERSON. It is admitted that these percentages as to the beef shipments in the northeastern territory were a matter of agreement; that as to Swift, Armour, and Morris that these percentages were a matter of agreement?

Mr. WELD. The percentage of beef shipments, Mr. Anderson, not of cattle purchases.

Mr. ANDERSON. As between these three concerns.

Mr. WELD. Up to 1902.

Mr. ANDERSON. Up to 1902. If it were a matter of agreement up to 1902 and it existed for some period prior to that with the same ratio to each other, when did this agreement stop?

Mr. WELD. I do not know that I just understand what you mean, Mr. Anderson.

Mr. ANDERSON. It may be involved, and I will state it again. Perhaps I can state it more clearly.

These percentages are admittedly the result of an agreement as to beef shipments prior to 1902?

Mr. WELD. An agreement allocating beef shipments covering the whole purchased cattle?

Mr. ANDERSON. I am not saying that. These percentages were agreed percentages. Now, then, it is claimed that these percentages were made the basis of your purchase of cattle?

Mr. VEEDER. No.

Mr. WELD. We never said that; that was not the case, because the allocation of shipments applied only to eastern markets. Undoubtedly that did have an effect on the percentages of the cattle purchased, but that was not the object of it, and it did not bring about any necessary uniformity in the percentage of purchases.

Mr. ANDERSON. It is rather remarkable, is it not, that the percentages of cattle, hogs, and sheep purchased should be in such a close substantial relationship to the percentages which you agreed upon prior to 1902 in the distribution of beef?

Mr. WELD. The whole thing is remarkable, not half so remarkable in my mind as it is in the case of Montgomery, Ward & Co.

Mr. ANDERSON. That covered a relatively short period.

Mr. WELD. No; that is a well-established business.

Mr. VEEDER. Let me state this as to the percentages.

Mr. ANDERSON. Very well; I am trying to get the facts.

Mr. VEEDER. I think the point you are trying to make is that there was no development, no increase, and that the percentages remained constant during that period and prior to 1902. As a matter of fact, they did not; there was a constant shifting of position during all of the previous 10 years. As I have already stated here, no man can go out into the market and buy any very large proportion over the amount he would normally buy without so increasing the price that he could not sell the meat at a profit. During the 10 years prior to 1902 there was a slight increase and change in position which each year had to be adjusted. The percentages referred to were percentages that showed the proportion of businesss only for the years prior to 1902 and while the percentages ran approximately constant for the prior 10 years there was more or less change going on.

Mr. ANDERSON. These percentages are referred to in the correspondence of Swift & Co., including some letters written by yourself, as to certain expenses in connection with the packing business, including your letter of August 23, 1916, to W. B. Traynor.

Mr. WELD. Was that set forth in the report?

Mr. ANDERSON. Yes, sir; I think so.

Mr. WELD. Whereabouts, please?

Mr. ANDERSON. I have not the report before me.

Mr. WELD. Or is it new evidence that the Federal Trade Commission is supplying?

Mr. ANDERSON. I think you will recognize it.

This is the letter written by Henry Veeder on August 23, 1916, to Mr. W. B. Traynor, care Swift & Co., Chicago, in answer to Mr. Traynor's request for information:

You asked me the other day for certain percentages which are generally known as the "usual percentages." On July 30, 1913, L. F. S.—

Evidently Louis F. Swift.

A. M.—

Arthur Meeker.

and T. E. W.—

T. E. Wilson.

agreed with C.—

Cudahy.

and S. & S.—

Sulzberger and—I do not know what the initials were—

upon the following percentages to cover general legislative and litigation matters:

	Per cent.	Per cent.	Per cent.
	35.751	39.723	44.689
	29.266	32.518	36.582
	14.982	16.648	18.729
	10.000	11.111	
& S	10.000		
	100.000	100.000	100.000

Of course, C. and S. & S. were arbitrary. The A., F., and H. figures are the so-called old beef figures which were based upon the volume of beef business in 1902.

Now, it is quite evident from this letter and other letters appearing in the record that these percentages which were in existence in 1902 and prior thereto were always kept in mind by the Big Five with relation to the proportion of business done by them, as well as stated here, with relation to the proportion of expense to be paid by each one. If this was not what you had in mind, why did you not propose percentages according to the amount of business done at that time?

Mr. VEEDER. I begin by questioning your premises before I can answer your question. In the first place, the percentages were not used in the packing business or in the business of the packing companies. In the second place, they were not used for apportioning the packing companies' expenses or other business, except to this extent: The packing companies, all five of them, have an interest in common to this extent, they are all engaged in the packing business, they are engaged in business throughout the country, and they have litigation in connection with their various businesses that affects them in connection. It is quite ordinary for a prosecutor in some State to bring a similar suit against each one of the five companies upon the same subject matter or against some two or three of them.

Each of them has its separate, independent law department for handling those suits, naturally, and the law departments defend their respective clients, having a common interest; frequently they employ local counsel. It is necessary to pay that counsel, and usually, where several cases are brought, one case is made a test case. It is necessary in some way to apportion the expense of the litigation or the fees of the attorney in the litigation. The lawyers get together. In the first place, we have to have some basis to apportion it. I myself said to Mr. Swift in the absence of any knowledge of any common basis at this time would there be any objection to using the figures of 1902. They were the last figures that were compiled, and as Wilson and Cudahy were unwilling to accept those figures in the distribution of certain expenses, and insisted upon an arbitrary proportion of 10 per cent as their proper share of such expenses, we would insert for Cudahy and Wilson the figures 10 per cent. Those 10 per cent figures are very different from the proportions of Cudahy and Sulzberger & Sons in 1902.

Mr. ANDERSON. Not very different?

Mr. VEEDER. Yes, sir. Taking them as to the total, but you take Cudahy and these figures——

Mr. ANDERSON (interposing). 11.74.

Mr. VEEDER. At any rate, passing that for the moment—those figures, of course, were never used for the purpose you name, but for other matters which came up in the law departments where they had an expense which the attorneys had to apportion. It was not used in the business of the companies at all.

Mr. WELD. Of course, you will say, as these figures are based upon past occurrences, that there is absolutely no evidence there that we have agreed percentages for the purchases of live stock in the future Is not that true?

Mr. ANDERSON. I did not get that.

Mr. WELD. There is no evidence here that these percentages were used as the basis for cattle purchased in the future.

Mr. ANDERSON. Unless you knew they were reasonably representative of the relative proportion of business.

Mr. VEEDER. You charged me with writing that letter?

Mr. ANDERSON. You do not deny it?

Mr. VEEDER. No. Why shouldn't I explain what I have written?

Mr. ANDERSON. You have explained it?

Mr. VEEDER. No; I have not. There was no information that we had at the time upon which to make a fair division of those legal expenses. Cudahy and Wilson claimed those figures are not fair as to them and they refused to accept the figures and we arbitrarily fixed them at 10 per cent. Let me call your attention to this: Those figures were not the only figures that we used by any means. They were used occasionally in connection with a matter in litigation which had to do with the entire country or in which there was no other basis that we could get at to divide the expenses. In each case which came up that we could not get the relative proportion upon which we could divide the expenses on the basis of the known interest of the parties involved, we would use those figures. For instance, in an oleomargarine case we would divide the expenses not upon these figures at all but upon the basis of the output of oleomargarine by the several parties. Those figures were only used when we could get no better basis on which to divide the expenses.

Mr. ANDERSON. Do you make the same explanation with reference to the export and import business as shown by this memorandum, the black-book memorandum?

Mr. VEEDER. Were these figures used for the export and import business? These percentages had nothing to do with the export or import business. I have just denied that these figures were prepared or used in payment of any actual operations of Swift & Co.

Mr. ANDERSON. I call your attention to the evidence adduced by the Federal Trade Commission, taken from the so-called black book, in which it is claimed that these same percentages were made the basis for export business and for imports into the United States, I think, from South America.

Mr. VEEDER. I should like to read that myself, because I do not remember any such statement.

Mr. WELD. What page is that?

Mr. ANDERSON. Page 57 of the report. It occurs at several places in the report.

Mr. VEEDER. I want to see it. Are you referring to this language under "Evidence of agreement in 'black-book' memoranda?"

Mr. ANDERSON. Yes, sir.

Mr. BORDERS. Those figures do not refer to Morris & Co.'s exports that you were talking about in connection with South America. We do not come within 10 miles of that.

Mr. ANDERSON. I am talking about the use of these percentages as a basis for export or import or for determining the business or division of the business between the Big Five.

Mr. VEEDER. I never paid much attention to it; I never heard it. This does not show any agreement. They are discussing the figures and that shows that they were not agreed figures. Furthermore, these figures, so far as I can make out, are not the same as we have

been talking about, but this statement here indicates that they were not discussing any percentage, because it says here:

Williams (Arthur Meeker, of Armour & Co.) states our figures (S. & S. Co. figures) from February 14 to April 18 show 12.51.

So, apparently, as far as I can make out, Sulzberger had prepared some figures on his own initiative and proceeded to discuss them with the others.

Mr. WELD. The percentage each packer paid has been a subject of criticism for many years. The Black Book memoranda showed that Mr. Sulzberger, whose concern was having a hard time at that time was not able to hold his own with the other packers, but there is nothing there to show that there is any evidence of any agreement to maintain any definite percentages or any agreement to maintain such percentages in the future. At any rate, it was a matter of discussion, showing what had happened in past performances.

Mr. ANDERSON. It rather indicates that your percentages were pretty clearly in mind with reference to the transactions of the Big Five, that they continued to represent the relative proportion of the beef business.

Mr. WELD. The percentages had to continue to represent the relative proportion of the different packers. Mr. Sulzberger was practically complaining of the competition of the other packers, and there is no evidence that these packers ever let up on this matter, because the Sulzberger Co. finally had to be reorganized. There is nothing there at all to show that there was any arrangement to maintain any percentages. The correct interpretation of this Black Book memorandum is that the packers have been grasping in their competition with Sulzberger and that Sulzberger has not been able to hold his own.

Mr. ANDERSON. You mean that is your interpretation?

Mr. WELD. That is the interpretation that is actually supported by the facts.

Mr. ANDERSON. I suggest that it is 12 o'clock.

Mr. YOUNG. It seems that there was an admitted agreement in 1902 and prior to that time as to the shipment of beef into certain territory to be shipped according to certain percentages. That statement is true?

Mr. WELD. I think so.

Mr. VEEDER. Approximately.

Mr. YOUNG. That being an admitted fact, did it not also carry with it, as a fact, that when such an agreement was entered into it did control the action of packers in purchasing cattle in various portions of the country?

Mr. WELD. As I said it undoubtedly had a very important bearing on the per cent of business prior to 1902.

Mr. YOUNG. And having such bearing, did it not affect the price of cattle in the various territories involved?

Mr. WELD. I think it undoubtedly did have some effect on the prices of cattle prior to 1902. The good effect of this arrangement prior to 1902 was to keep the market steadier than it otherwise would have been.

The main object of this agreement was to prevent gluts in the eastern markets, which meant that the stuff had to be sold off at very low prices in order to make it move. Undoubtedly the net result of this agreement was a benefit to the country.

Mr. YOUNG. The packers can protect themselves by such an agreement, whereas the producer on the range has no such method of protection?

Mr. WELD. Mr. Young, I am very sorry that you were not here yesterday when I went into all those conditions.

Mr. VEEDER. May I just say one word touching the old agreement? The reason of the organization under the old agreement was that all of these parties were shipping to the several markets in such a way as to result in a considerable glut. Meat is a perishable product and must be sold within a few days, and the glutting of these markets resulted in the selling of the meat at a loss and in the slowing down of the purchases of live stock. At the live-stock centers, like Chicago, it resulted in lower prices for the producer. This agreement did not have the effect of decreasing the amount of beef shipped. The amount of beef shipped constantly increased from the beginning of the agreement, with which I was connected, in 1892, and during all the time. The only purpose of this agreement was to prevent glutting the market with beef and causing the same to be dumped at a loss with the result that it affected the whole meat situation and the purchase of live stock as well. In other words, the agreement, by preventing gluts, was a benefit to the consumer and to the producer and not a detriment, because it steadied the market.

Mr. YOUNG. The producer has cattle and it must go to the market. When a cattleman's cattle are fat they must go to the market?

Mr. VEEDER. Within a reasonable time. The same is true of the packer. His meat is perishable and must be sold within a reasonable time. There is no trouble with the market for his live stock if the packer has a steady market for his meat. If the packer is losing money he is not going to be so willing to buy liberally the live stock, but if the market is steady he is on the market to buy live stock.

Mr. YOUNG. The packer would quit if he was losing money. The point I am making is this. The man on whom the consumer must depend for the food supply is the man on the ranch—the farmer. You gentlemen go out of business when he goes out of business. He has no way of protecting himself at all. A ranchman with 100,000 acres, in order to keep going, has to restock it year in and year out. If his cattle are ready for market they have to go to the market. It is physically impossible for him to join with his neighbors, say, 10,000 cattle growers all over the nation, so as to protect themselves when this condition exists. When you gentlemen can get together and have an agreement touching the price, it looks to me like the stockman is dependent wholly on that agreement as to his cents and dollars.

Mr. WELD. Permit me to answer the question propounded by Mr. Young. Those agreements possibly did protect the packer to a certain extent in that respect and possibly had an advantage over the live-stock producer, although, I think, as Mr. Veeder has said, the agreement undoubtedly worked out to the benefit of the live-stock producer, because at that time the business was done on just as close a margin or closer than to-day. Since 1902 there has been no agreement and we have no such power. We have never felt that it was good policy to try to have such an agreement to allocate shipments. There has been no such agreement since that time, and

we have no way of protecting ourselves; we are up against the same thing that the live-stock producer is. As I explained yesterday, when we ship a carload of fresh beef to New York from Chicago we do not know what the price will be. We can not name the price. We can not state the price. We sell it for what we can get for it after it gets to New York. We may figure on 17 cents and we will come out even. If we get 17¼ cents average we have made the customary profit and we are satisfied. If we get only 16¾ cents we have lost money. We very often do that. As I told you yesterday in the last 52 weeks up to November we lost money in 25 weeks and we made money in 27 weeks on our total annual operations, including the returns from cured hides, rendered fats, and other packing house by-products.

Mr. VEEDER. If an arrangement could be devised, and I do not think it is impossible, by which the producer——

Mr. YOUNG (interposing). I do not think it is impossible.

Mr. VEEDER. By which the producer——

Mr. YOUNG (interposing). But the situation is this, you gentlemen have an entirely organized business, one of the most highly organized in the country. I am not prejudiced against the packers as such at all, but on the other end of the line is the productive end and somehow they have a very unsatisfactory market proposition, and men have had to go out of the business—I do not speak from hearsay but from information which has come from individuals, men that have made a success in other lines of business and that had unquestionably made a success, and men who have gone out of a business which they liked to follow. The point in my mind is whether we can do anything or anything can be done that will put this business of cattle production on such a satisfactory basis that other men will engage in it because they can make some money?

Mr. WILSON. Before you answer that question, is not the Bureau of Farm Markets or these different farm organizations trying to develop just such a proposition and plan as you suggest? Is not that the very motive of their organization?

Mr. YOUNG. The bureau in Washington?

Mr. WILSON. Yes, sir; trying to allocate shipments, etc.

Mr. YOUNG. The Bureau of Markets is furnishing market information that is supposed to be a guide to the shippers, and anything that disseminates correct market information is a help.

Mr. ANDERSON. Of course, there was more reason for this agreement than the mere allocation of shipments to the different markets.

Mr. BORDERS. Mr. Young has raised a question that I should like to say a word on. I have always thought, Mr. Young, that there should be an investigation for constructive purposes of the producer and also of the retailer, and that is the work that has not been done, to my way of thinking.

Mr. YOUNG. Just to be candid, you gentlemen may not recognize that when a stockman who produces this stock and you gentlemen make money, why, naturally, he becomes suspicious that he has not been getting a fair deal. Of course, since this investigation came up the whole country is aroused about what is being developed in this investigation. Of course, the stockman does not get the full insight, and he may think that he is unjustly treated by the packer. In my mind, what would be the objection to having some agency somewhere, so that when these controversies arise between the shipper

and the packers, the action taken is justified, the record can be open so the stockman may know the real conditions and exactly what he is up against.

Mr. BORDERS. I have always felt, and your argument is in favor of the proposition, that the whole question of production ought to be investigated for constructive purposes. There are economies in production that I think you and I agree could be improved upon both for the producer and for the packer. I think there is no question but what it is to the interest of the packer that the producer should be prosperous. There can not be any argument on that question. I take the position that we ought not to approach this thing blindly. What you suggest is one good point and that is covered by this bill.

Mr. YOUNG. I understand this bill was just tentative?

Mr. BORDERS. So I understand.

Mr. VEEDER. I should like to make a suggestion. One of the principal, if not the principal, difficulty of the producer, is the fluctuations in the market. He does not know what he is going to get for the live stock when he ships it from the farm. The packer has no control of the shipments made from the farm by the producer. If some arrangement could be devised, and, as I said, I do not think it is impossible, by which those shipments——

Mr. YOUNG (interposing). Let me state right there——

Mr. VEEDER (interposing). That is just where I got before.

Mr. YOUNG. The packer does not know about when the cattle are coming to the market. The farmer must feed the cattle, and he knows that it must come within certain weeks and in another section of the country cattle comes at a certain time, a different time.

Mr. VEEDER. Yes, sir; but the point I am making is this, that the producer could so adjust his shipment with the shipments of all producers to the market so as to avoid gluts on the market. I think that the irregularity in prices due to the fluctuations could be eliminated. I think that could be done.

Mr. YOUNG. Have you ever undertaken by publicity or otherwise to inform the live-stock shipper about the conditions as they existed?

Mr. VEEDER. Yes, sir. Some years ago we suggested to the Bureau of Markets that they undertake to disseminate more accurate information, not only as to the cattle market, but also as to the beef markets, so that the producer would understand the conditions in the market in which his products were ultimately sold. Not so long ago we suggested that the producers of live stock and, if they wished, some members of the exchange and some stockyard men, form an organization so that an arrangement could be devised, if possible, to regulate all of these things and we did our best, so that if it failed it was not our fault.

Mr. YOUNG. Let me make this suggestion——

Mr. VEEDER. During the war the Government adopted the well-known zoning system, under which shipments to market centers and stockyards were so controlled as to avoid gluts. Something along that line could be done, and I should like to see you get at this problem.

Mr. YOUNG. Let me suggest this in a friendly spirit with reference to the Chicago stockyards: It raises in my mind as an individual, and I am sure it does in the mind of every man who produces cattle, he can not understand why it is necessary to have that kind of thing,

to go up to Maine and organize some kind of a holding company, not an adjunct to the marketing business, a necessary adjunct, and he naturally become suspicious at once of putting something over when that kind of thing is being done. I would become suspicious and you would, probably.

Mr. VEEDER. Everyone who has had experience in the stockyards knows that the ownership of the stockyards does not affect the bargaining. That has been expressed time and time before this very committee. Witnesses have come here and have stated that they did not care who owned the yards.

Mr. YOUNG. I understand, but here is the point, with evidently some serious purpose. The stockyard, now, is a necessary adjunct and its cost price must be paid out of the stock-producing industry. That is one of the charges assessed against the producer, being assessed against the stock-producing industry.

If there is a valid overhead charge for this one particular adjunct the stockmen have a right to know it. I do not think the owners of this concern have a right to manipulate it in such a manner as to demand extraordinary charges or too much charges for a necessary adjunct. When you conceal the ownership, conceal its operation. conceal its revenues, that is going to raise the question at once. "What are you doing it for?" That raises suspicion about the whole business.

Mr. VEEDER. Of course, Swift & Co. have not a dollar of interest in the Chicago stockyards.

Mr. YOUNG. You say that Swift & Co. have no interest, but it has been developed that Armour & Co. have?

Mr. VEEDER. Mr. Armour, I believe, has an interest not to exceed 19 per cent.

Mr. ANDERSON. May I interrupt you, Mr. Young, in order that I may put a statement into the record?

Mr. YOUNG. Certainly.

Mr. ANDERSON. I want to read this statement into the record. I knew that I had read it. It appears on page 1011 of the hearings that I referred to—Part 2, on the bill S. 5305. Mr. Heney was asking Mr. Swift some questions in regard to the Chicago stockyards and Mr. Swift answered:

> Mr. Prince did not take me into his confidence to that extent, Mr. Heney.
> Mr. HENEY. Never told you at any time that he would give you anything by way of a subsidiary from the New Jersey corporation or from the Maine corporation, or any other way, is that what you want to be understood as saying?
> Mr. SWIFT. He did not give me any details about a stock or about stock in a stock company. Those names or facts were not mentioned. He told me if I would keep still and not press the matter—not move our plant or not threaten to move it, keep it still—I might get something after awhile. But I never got anything.

That is the statement I had reference to.

The CHAIRMAN. Before recessing I desire to say that I have a communication from Mr. Robert Graham, chairman British ministry of food in United States of America, which has reference, as you will recall, to the information requested by Mr. Fuller. The letter will, without objection, be printed in the record in connection with Mr. Fuller's testimony.

(For the letter referred to above see page 536, these hearings.)

Mr. McIsaac. On page 71 of the record of February 25, 1920, in the third paragraph from the bottom there is a typographical error. As it stands in the record it reads:

That shows the variation from 1902 to 1906 of seventy-seven one-hundredths of 1 per cent in the case of Swift.

It should read:

That shows the variation from 1902 to 1916 of seventy-seven one-hundredths of 1 per cent in the case of Swift.

The Chairman. The committee will now take a recess until 2 o'clock p. m.

(Thereupon the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

The Chairman. Mr. Rainey, who is the first witness this afternoon?

Mr. Rainey. Mr. Everett C. Brown, of Chicago.

STATEMENT OF MR. EVERETT C. BROWN, PRESIDENT OF THE NATIONAL LIVE STOCK EXCHANGE, UNION STOCK YARDS, CHICAGO, ILL.

Mr. Brown. I wish to say to you, Mr. Chairman and members of the committee, that in this statement of my testimony I hope that if there is any phase of it I do not make clear that you will feel perfectly at liberty to interrupt me.

The Chairman. Do you prefer to go on with your statement first and answer questions after you finish your statement?

Mr. Brown. Yes, sir; or during the statement, if there is anything you wish to inquire about, I will be pleased to be interrupted.

Mr. Chairman and members of the committee, I believe it is only proper for me to preface my remarks on the subject now before the committee with a few words of explanation as to whom I have the honor to represent.

Live-stock exchanges represented: I am at present the president of the National Live Stock Exchange and an ex-president of the Chicago Live Stock Exchange. The National Live Stock Exchange, as its name implies, is the national organization of the local exchanges at our various markets. We have on our membership rolls the exchanges located at the following points: Baltimore, Chicago, Cincinnati, Cleveland, Denver, Detroit, East Buffalo, Indianapolis, Jacksonville, Kansas City, Louisville, Milwaukee, Montgomery, Nashville, New Orleans, New York (Jersey City), Oklahoma City, Omaha, Peoria, Pittsburgh, Portland, Sioux City, Sioux Falls, St. Joseph, St. Louis, St. Paul, and Wichita.

One can readily see that our membership comprises all of the important live-stock markets of the country; in fact, I know of but one organized local exchange not now included, namely, Lancaster, Pa.

The history and purpose of live-stock exchanges: The first live-stock exchange organized in this or any other country was, according to my records, organized at Cincinnati, Ohio, and this was followed

shortly thereafter by the formation of the Chicago Live Stock Exchange.

There is a mistaken impression in the minds of many as to the work of the local and national live-stock exchanges. It has been asserted by otherwise well-informed men and by many writers that "live-stock exchanges buy and sell live stock" or "fix the price of live stock." Nothing could be further from the truth.

The live-stock exchange is a voluntary association organized for the purpose of furnishing to its members a convenient and suitable place to transact exchange business, but not the business of the individual members; of promoting uniformity in the customs and usages of live-stock commission merchants; of inculcating principles of justice and equity in trade; of facilitating the speedy adjustment of business disputes; of acquiring and disseminating valuable commercial and economic information; and, generally, of securing to its members the benefits of cooperation in the furtherance of their legitimate pursuits.

In the exercise of its functions it does not engage in business nor is it organized for profit; it buys and sells no live stock and has no financial interest in the business transacted between its members. It has nothing to do with the prices paid or received for live stock bought and sold by its members, the prices being controlled or influenced by supply, demand, and competition.

Among the work undertaken by the live-stock exchanges may be mentioned the following:

1. Adoption and enforcement of rigid rules and severe penalties, thus forcing out unfair and unscrupulous dealers.

2. Adoption and enforcement of rules prohibiting cruelty to, or beating of, animals marketed, thus avoiding losses by reason of bruised or crippled animals.

3. Adoption of trading rules governing marketing transactions, thus assuring a clear title to live stock sold, making the commission man personally responsible for sales made.

4. Adoption of rules which permit every owner to sell his own stock when desired, or to go upon the market for the purpose of buying such stock as he needs, thus preventing any possible discrimination or monopoly.

5. Adoption and enforcement of rules preventing and forbidding the favoritism to shippers, so that the small shipper is accorded the same privileges and enjoys the same benefits as the larger ones.

6. Adoption and enforcement of rules forbidding the sale of stock from one member to another of the same firm, for the purpose of depriving market patrons of the full selling price.

7. Maintenance of a court of appeals to which any patron may apply without expense to himself or without requiring attorneys, the committee affording justice to all concerned after a full and complete hearing.

8. Adoption of rules establishing and supervising the dockage on hogs, which rules have effected a saving of millions of dollars for shippers by doing away with the former ruinous and unfair methods, and thus forbidding the buyer to dock as he deems best.

9. By providing a central office for handling general matters, duplication of expenses is avoided and economies are effected to the benefit of both patrons and commission concerns.

10. The local and national exchanges have instituted or intervened in every case before the Interstate Commerce Commission in recent years in assisting the live-stock shippers to obtain fair and proper rate adjustments and have thus succeeded in saving thousands of dollars for such shippers without additional profit to themselves.

11. Appointment of special committees who constantly strive for improved train service to and from all markets, and this committee may be credited with having participated in every important improvement in train service to the open markets.

12. By subjecting all transactions to the scrutiny of appointed committees, questionable methods are reduced to a minimum and transgressors are brought to justice in a manner calculated to discourage repetition.

13. By keeping in touch with proposed legislative matters, State and national, the exchange endeavors to encourage legislation of a remedial character for the purpose of advancing, promoting, and protecting the live-stock industry.

14. By establishment of rules controlling soliciting, they have done away with the former practice of inexperienced solicitors misrepresenting market conditions, the rules requiring that solicitors shall spend sufficient time in the markets to familiarize themselves with actual conditions.

15. The establishment and enforcement of uniform commission charges on the lowest possible basis prevents discrimination between large and small shippers, and eliminates temptation, present under the old practice, whereby little or no commission would be charged, but where returns were not always made in full.

16. The establishment of claim bureaus where the shipper may have any legitimate claim against the railroads handled at a minimum of cost. Such bureaus are designed to prevent the filing of unfair claims.

17. By investigating the character of members prior to their admittance to the exchange, the personal standing is of the highest, as only men of good, solid business integrity and unquestionable financial responsibility are admitted, and by the same token all crooked or dishonest applicants are denied admission.

18. By the concerted action of the commission men, packers were prevented from buying animals subject to post-mortem examination, this same action preventing a destruction of the great cash market and the substitution of a credit market in lieu thereof.

19. Having forbidden or prevented unfair post-mortem rule, the commission men are now spending thousands of dollars in a national campaign for the eradication of diseases.

The members of this committee will recall that I have been before you on previous occasions urging appropriations to enable us to properly carry on this work. We have men engaged in the work of gathering data and who work closely with the Bureau of Animal Industry. I feel that, if for no other reason, the exchanges and commission men justify their existence by reason of the benefits derived from this one phase of our work.

20. The enforcement of the marketing rules places the marketing of live stock upon a higher plane than that of any other commodity. Every sale is an actual sale and every transaction is a sale for cash, the proceeds returning to the shipper on the date of the sale. At the

larger markets cash sales of from one to two million dollars are made daily.

21. The gradual evolution of marketing conditions under the guidance and supervision of live-stock exchanges has resulted in such marked and beneficial changes in conditions that the market patrons rarely deem it necessary to accompany their shipments to market except where other business is to be transacted after their arrival there.

This recalls to my mind that during the testimony of Mr. Sykes the impression was left with the committee that it was necessary for shippers to be present at the time the sale was effected, or else there was no way to learn the actual selling price of the stock or be certain of the selling weight.

Let me here explain that every account of sale shows the name of the purchaser of the stock, and the shipper may, by writing the purchaser or the secretary of the exchange, get a double check on his commission firm. The transaction can thus be verified to its last detail.

22. The National Live Stock Exchange, in conjunction with local exchanges and other organizations, are now engaged in a campaign to lessen the tremendous shipping losses now prevalent. It is estimated that the result of this campaign will be millions of dollars saved to the producers and millions of pounds of foodstuff saved for a hungry world.

23. The commission men originated and have perpetuated the present great system of cash marketing of live stock. No other produce of the farm is disposed of in this manner and no marketing system of the world compares with our American live-stock marketing scheme.

Special attention should be given to the fact that the live-stock commission merchants deal only in a cash commodity and that the live-stock exchanges of the United States should not be classed with the exchanges that deal in futures, options, and other speculative transactions. All sales of live stock in all of the markets of the United States are made strictly for cash, and over 95 per cent of these cash sales are paid for by the buyer in cash inside of 24 hours after the actual sale is made.

We of the industry, which is being constantly attacked by the Federal Trade Commission and the Department of Justice, are unable to understand their attitude in thus attempting the destruction of a system handling only bona fide cash sales, while making no effort to prevent the marginal trading or gambling in other lines of life's necessities.

Legal status of live-stock exchanges: In repeated cases, some of which have been carried to the Supreme Court of the United States, the exchanges have justified their right of existence, the propriety of their rules and regulations, and their right to control the actions of their members in so far as such control was necessary to enforce rules designed to insure fair dealing.

It has been pointed out in these leading cases that our rules affect only those who voluntarily submit thereto and that having agreed to abide thereby the courts can not and will not interfere with the function of the exchanges in dealing with violations of rules not inconsistent with the laws of our land.

I shall not burden this record by citations, since the exchanges are not here on trial, but should any member of the committee express doubt on this point, I will gladly furnish a list of leading cases.

Right here it may be of interest to state that the Canadian live-stock regulatory measure makes it compulsory for those engaged in the buying and selling of live stock at the markets to belong to and abide by the rules of the local live-stock exchanges in Canada.

Mr. ANDERSON. Do you think that is a good provision, Mr. Brown?

Mr. BROWN. From an exchange standpoint, I do, yes. It protects the producer against any crooked dealing by concerns who perhaps could not be admitted to an exchange for some reason or other.

Mr. WILSON. Right there, Mr. Brown, are the rules and regulations of the Canadian Live Stock Exchange similar to yours?

Mr. BROWN. In a general way; yes, sir. I think they are in many instances almost a duplicate of our rules, and in most instances.

Members of the exchange: This brings us now to a discussion of the membership of the exchanges; the rank and file of the members doing business at our great markets. By some they are called "brokers," while in some states they are legally known as "factors." In the trade we term them commission men.

Let me here explain the difference between commission men and the so-called "traders" or those ofttimes referred to as the speculators This statement explains in detail the work of the commission men so that further elaboration is unnecessary. Mr. Sykes claimed that there was no competition between the trader buyers and the buyers for the packers.

The trader or speculator in the Chicago market annually buys live stock that will amount to hundreds of millions of dollars. In the 30 years' experience I have had in selling live stock in Chicago, I think I could nearly buy a controlling interest in Armour or Swift with the amount of money that I have received as bids from the traders over and above what the packers had bid on that live stock. Every day I sell live stock all the way from 5 cents a hundred more than the packer will bid up to, in instances, 50 cents and $1 a hundred higher than the packer will bid, and the idea of anybody coming before your committee and stating that there is no competition between the packers and the so-called traders is absolutely ridiculous, gentlemen.

Mr. ANDERSON. Just let me ask you one question there. Speaking broadly and in general terms, the class of cattle that is bought by the traders is not identical with the class of cattle bought by the packers, is it?

Mr. BROWN. Well, in instances, perhaps, 50-50 in that respect.

Mr. ANDERSON. That is to say, whatever competition there is between traders and packers would be with respect to cattle that are on the line as to whether they are beef cattle or feeders.

Mr. BROWN. No; not by any means. It is no uncommon thing for cows of the different grades, say, from canners up to prime fat beef cows, to be bought by the local speculators. It is no uncommon thing in the case of a drove of prime corn-fed cattle, for the speculator to come in the first thing in the morning when he figures there is going to be a bull market on cattle to buy 20 or 30 loads of prime, corn-fed beef cattle.

Mr. ANDERSON. Do you make any distinction between the speculator and the trader?

Mr. BROWN. No; I do not. A great many people call the yard trader a speculator, but there is a distinction between those yard speculators or traders. There are some yard traders who, for instance, will buy 10 or 12 loads of hogs and will sort out two double decks of light hogs that will average 170 up to 220 for some particular buyer, either an eastern shipper or one of the so-called bacon packing concerns.

Then there are others who are called yard traders or speculators who will very often buy the same grade of hogs and ship them to Baltimore, Philadelphia, or New York. They are hardly on a par with the eastern order buyer, because they, perhaps, get their orders for shipments spasmodically, whereas the eastern order buyer is on the market there almost daily, and very often an employee of some large eastern abattoir concern.

Mr. ANDERSON. Are these order buyers members of the exchange? I am asking for information. I do not know anything about this stockyards proposition.

Mr. BROWN. Some of them are members of the Chicago Live Stock Exchange and other exchanges and other markets, but I think more of them are members of the Traders Live Stock Exchange, which includes all of the buyers practically on the market, order buyers, traders, speculators, or whatever you may term them.

Mr. ANDERSON. I did not quite understand what you meant to convey by your 50–50 expression.

Mr. BROWN. Well, will you read the question that was put.

(The stenographer read as follows:)

Mr. ANDERSON. Just let me ask you one question there. Speaking broadly and in general terms, the class of cattle that is bought by the traders is not identical with the class of cattle bought by the packers, is it?

Mr. BROWN. In that respect, for instance, at the time or in the fall of the year or during the year when a great many feeding cattle are in Chacago, there are a great many shipments that include prime corn-fed cattle and at the same time include a feeding grade of cattle, and they may include a butcher grade of cattle. At those times the point that you make that the speculator was not buying the same grades, if I remember——

Mr. ANDERSON. I was not trying to make any point. I was trying to get some information.

Mr. BROWN. I think that was the psychology of your remark, if you will permit me to construe it that way. At those times the packer, perhaps, would not compete on the stuff that was mixed in the manner I have described, but the packer would compete, perhaps, on fully 50 per cent of the other stock with the local speculator on the arrivals that day. Of course, you have asked the question only on cattle, and there are far greater activities on the Chicago market, and I can say the same thing, I think, for some of the other markets, in the trading and speculating on hogs.

Mr. ANDERSON. Is there any rule or any custom by which the functions of a commission man, a speculator, and a trader may be determined or are determined?

Mr. BROWN. The rules of all the exchanges specifically state what a commission man's duties are, and no commission man may be able to speculate or trade in any live stock. His functions are to represent absolutely the producer, the farmer, the collaborator of stock at the

country station who is called the country shipper. Does that make it clear?

Mr. ANDERSON. That is clear as far as the commission man is concerned, but I wanted to know whether there was any rule or custom by which the functions of a trader are defined or prescribed.

Mr. BROWN. The functions of a trader could broadly be defined as one who purchases live stock on the market for either shipment for sale to another packing concern or for speculation.

Mr. ANDERSON. That definition would also cover a speculator, I take it.

Mr. BROWN. Yes; a yard trader and a speculator are so closely interwoven it would be hard to divorce them.

Mr. ANDERSON. The reason I asked that question was because I gathered the impression from something that was said here that the business of the trader was at least largely confined to the handling of feeders and stockers.

Mr. BROWN. That is one particular branch of the trading business in cattle. On the Chicago market, I think there are four or five very large operators in feeding cattle alone, and there may be 100 traders in the Chicago market who will buy for speculation or partial shipment or resale that have nothing to do with this trading in feeding cattle. That is a specialty in the business, almost.

Mr. RIDDICK. Is it not true that the speculator makes a good deal of his profit by buying mixed cattle and cutting them up into various lots?

Mr. BROWN. Yes.

Mr. RIDDICK. And selling them at an advanced price because of their being assorted into uniform groups?

Mr. BROWN. Yes; I think that is one of their chief sources of revenue.

The CHAIRMAN. Mr. Brown, in the Chicago yards, would a buyer for a packer in Boston be classed as a trader or speculator?

Mr. BROWN. Yes, sir; he would be called by us an order buyer, and the order buyers are members of this Traders Live Stock Exchange.

The CHAIRMAN. He is classed as a trader or speculator?

Mr. BROWN. In the final analysis, he is not what we are bringing out as a yard trader.

The CHAIRMAN. I understand that many of the yard traders have orders and buy on orders.

Mr. BROWN. Yes, sir; you are right.

Mr. TINCHER. Before you leave that subject, do you consider the speculator who buys a mixed carload of cattle and sorts them, a necessary speculator on the yards?

Mr. BROWN. Yes, sir; I do.

Mr. TINCHER. Generally, the commission man knows what the other man would know about assorting his cattle?

Mr. BROWN. The commission man does. A commission man can assort the shipment and divide it into the different grades as indicated by those gentlemen.

Mr. TINCHER. Suppose I ship a carload of cattle to a commission house in Chicago. If I ship them to a commission house that sells to a speculator to do the sorting, selling part to the feeder buyer and part to the packers, I am simply shipping my cattle to a commission

house that lets me pay another man for doing a portion of their work: is not that right?

Mr. BROWN. There is another phase to that, Congressman. The commission man that sells to this speculator figures that he is outguessing this speculator. He figures he is selling that live stock higher than by selling it altogether in one bunch than this speculator can get by assorting it, and I want to tell you, gentlemen, that the instances where the commission man outguesses the speculator are just as often as the instances where the speculator outguesses the commission man.

Mr. TINCHER. Indirectly, it is like any other speculation; if they were serving me all the time and outguessing him all the time, he, of course, could not stay in the business.

Mr. BROWN. If you have confidence in your commission man, if you have confidence in his judgment, and if his judgment is what you are paying your commission for and he is doing his best to get you the last dollar on your shipment, you want him to sell it to the man he can get it from, don't you?

Mr. TINCHER. Now, wait, and let us get this proposition straight. You say that that man is a necessary adjunct to the market?

Mr. BROWN. I think he benefits competition.

Mr. TINCHER. Now, is it not true that every dollar of profit he gets, his entire living and his worldly assets, can only be accounted for by the money that he gets by outguessing my commission man?

Mr. BROWN. Oh, no; I do not say that.

Mr. TINCHER. If that class of speculators is legitimate on the yards and if that speculation on the yards is legitimate, I wish you would tell me where else he could get any income.

Mr. BROWN. Yes; I will tell you.

Mr. TINCHER. Of course he may make a living out of the oil business or something like that.

Mr. BROWN. No; I will tell you how he will make it in the cattle business. He can buy live stock, he can buy two or three loads of cattle, or 20 loads of cattle, and if he can outguess the buyer he is selling them to, for instance, Armour's buyer, or, for instance, the buyers for an eastern shipper and can sell them higher to them, he can make a corking good living without making any money on assorting this stuff at all.

Mr. TINCHER. Well, all commission companies that are engaged in the business will assort your cattle and sell them, will they not?

Mr. BROWN. Absolutely; yes, sir.

Mr. TINCHER. And they do not put out much literature to the producer that they are in the habit of selling these cattle to the speculator without sorting them, do they?

Mr. BROWN. No; they put out literature——

Mr. TINCHER (interposing). Do you know of a commission company that ever put out any literature of that kind to a shipper of live stock?

Mr. BROWN. No; I do not know that they particularly designated the speculator or the packer or the eastern shipper. They have sent out lots of literature that they are selling to the highest bidder, and I think that is our ultimate object in life.

Mr. TINCHER. The speculator, of necessity, would be the highest bidder on a mixed carload of cattle where not over half the cattle

could be butchered if the commission man did not assort the cattle, would he not?

Mr. BROWN. Yes; but you must figure, Mr. Congressman, that there are any number of fellows who are competing with that speculator and who are also speculators. You have plenty of competition there on that grade of stock.

Mr. RAINEY. A lot of these speculators go broke, do they not?

Mr. BROWN. I will say they do.

Mr. TINCHER. And those who do not go broke live by outguessing the commission man on somebody else's property. Now, here is another proposition you have suggested here that I am frank to say is a revelation to me. You say that the speculators make a practice of buying in great quantities the corn-fed finished cattle of the country and then reselling them to the packers.

Mr. BROWN. Yes, sir; for instance, in some periods of the year when we know, when everybody in the stockyards knows we are either in or approaching a bull market, in other words, when there is a good undertone to the cattle market or the hog market, and we all believe we are going to have higher prices, the speculator will go right out in the morning, and I have seen them buy 20 loads of cattle, good corn-fed cattle, as good as there was anywhere, and I have seen them buy 20 or 30 or 40 loads of hogs, making a bid that they can guess that market so they will sell that live stock and make money on it.

Mr. TINCHER. Now, let us see if I understand that correctly. If I load up a trainload of cattle and ship them to Chicago, if it is a declining market, I can rest assured that my commission man will sell them to the packers, but if it is a jumping market, or if the market is going up, then there is a chance that they will be sold to the speculator and he will sell them to the packer.

Mr. BROWN. There is a chance they will be sold to the speculator if the speculator is bidding more than the packer.

Mr. TINCHER. Early in the morning.

Mr. BROWN. Or at any other time during the day. They do not all arrive early in the morning, Mr. Congressman.

Mr. TINCHER. Do you claim that that class of traffic in food products is conducive to good government and good citizenship?

Mr. BROWN. I claim that the speculator in live stock at the Chicago market has been the result of the producers getting millions of dollars more for their live stock than they would if there had not been that competition.

Mr. TINCHER. Well, I do not want to be understood as absolutely condemning the speculator, but you have cited instances here of work that the speculator would do that I would like to hear someone justify, so that I can see some justification for it. For instance, you frankly say that if the market is a rising market, the speculator will come out and buy the cattle and resell to the packer, while the poor devil at home who has fed those cattle his year's labor and his year's crop can rest assured that if there is a declining market, no speculator will intervene and take a loss on them, but the packer will be permitted to take them straight from the commission man, and then you are testifying before this commission that this is a subject on which

you said to the Senate committee—I think I quote you correctly if the packers did—

The farmers and live-stock producers throughout the United States are unanimous in their opposition to this kind of legislation.

If that is the state of affairs, do you not think it is time that somebody started a propaganda of educating the farmers and producers of the country that such legislation is necessary and ought to be enacted.

Mr. BROWN. Well, from what I have seen of the farmers and producers in the last five years, I do not think they need very much education. I think they are about as well posted as any class of business men in the United States.

Mr. TINCHER. You do not think this statement you made last summer that—

Mr. Brown told the committee that farmers and live-stock producers throughout the United States were unanimous in their opposition to the Kenyon and Kendrick bills to regulate and license the packing industry.

You still think that is true?

Mr. BROWN. I think at the time I made that statement that was about as near the truth as I knew at the time I made the statement, and I want to say——

Mr. TINCHER (interposing). It is not anywhere near the truth now, is it?

Mr. BROWN. Well, I think a majority of the farm associations, if a referendum vote was taken to-day, would oppose legislation of this nature.

Mr. TINCHER. Do you think that a majority would do that, understanding that it was admitted that the speculators bought a large percentage or a considerable percentage of their finished product and then resold it in Chicago to the packers on rising markets?

Mr. BROWN. Yes, sir; but you brought out one point and you have not brought out the other. You have not said anything about the speculator who buys just as many cattle on a steady or a breaking market, thinking he is going to make money, and then does not make it. He loses and the producers get the profit there.

Mr. TINCHER. So we will understand one another, I will state to you just exactly what I do have in mind. I mean that after a steer is finished, after he is corn fed, as you have described here, and put on the stockyards at Chicago, that for some middleman to take a profit off of the producer and consumer on that steek before he is permitted to go to the packers for butchering is unconscionable, and there can not be any justification offered for it, in good conscience.

Mr. BROWN. There is only this justification, that the man who sold that bullock, Mr. Congressman, sold that bullock to a bidder higher than any packer would bid; in fact, he sold that bullock to the highest bidder at the time the transaction was made.

Mr. TINCHER. That is in the morning and they are probably waiting for the afternoon, but this man is there, and in the ordinary case he is a rich man, riding in a Packard, and he knows what he is going to do with the packer, and I say that is an unjustifiable traffic in a necessity in these times.

Mr. BROWN. There is one point——

Mr. TINCHER (interposing). And I am surprised. I will say to you candidly that I thought I was fairly well versed in this proposi-

tion, but this is the first time I ever knew a commission man, a man versed in the business, to appear before a legislative committee and admit that that was a general practice.

Mr. BROWN. I do not admit——

Mr. TINCHER. Heretofore, it has been stated that the traffic and trade of that sort was in the class of stuff that the packer can not handle and that which is not ready for the consumer.

Mr. BROWN. Mr. Congressman, I do not admit that most of the live stock is handled that way. A great deal of it is sold that way and it is sold to the highest bidder. That is the way you want your live stock sold, don't you?

Mr. TINCHER. I hope I will never have to have any live stock that is finished and ready for the butcher sold to a man to make a profit on before it gets to the butcher. I hope I will not run into that kind of a commission man. I hope I will never be called upon to ship a load of stock to a commission man who will not assort it but will sell it to a speculator whose only function is to assort it.

Mr. BROWN. There is not a commission man on the Chicago market, and I do not think there is one on any other market, who would not assort your stock if you wanted it, and I want to tell you——

Mr. TINCHER. I will venture to say that I never had an account like that, showing that a finished steer or a corn-fed steer was sold to a speculator, but that does not cover it entirely. The poor devils they do that to deserve some protection if that practice is in existence.

Mr. BROWN. I want to tell you another thing, that all these corn-fed cattle that the speculator buys are not sold the same day. That fellow is making a bid on those cattle, the same as if he was buying 10,000 of May wheat or May corn. He very often carries them one day or two days or three days until he figures he is either going to sell at a profit or take his loss. Do you think that benefits the producer?

Mr. RAINEY. And if he did not do that, Mr. Brown, the cattle shipped in by the producer would be sold, if it was a low market, at whatever, the market would bring.

Mr. BROWN. Yes; if he did not do that; if the speculator was not there. I do not think these packers are running any charitable institution, and they might buy your two loads of cattle or three loads of cattle at $1 a hundred lower than this speculator would give.

The CHAIRMAN. Mr. Brown, what is the practice in sorting cattle? My understanding and experience is the cattle are generally assorted.

Mr. BROWN. I think I am conservative, Mr. Chairman, in stating that 75 per cent of the mixed cattle that come into Chicago are sorted before they are shown.

The CHAIRMAN. I did not know the practice, but that has been my experience.

Mr. BROWN. And I think an actual investigation would show a greater percentage.

Mr. HEINEMANN. Might it not be proper at this time to say whether or not the packers look with favor on the speculator? Do they want him there or do they want him out?

Mr. BROWN. Mr. Chairman, in answer to the interrogations, I can say that for 15 years the packers have done everything in their power

to block the speculator, and have, at different periods, during those 15 years, refused absolutely to buy direct from the speculator or buy from commission firms who were selling speculator's stock. That answers your question?

Mr. HEINEMANN. Yes; I just wanted to show that situation.

Mr. TINCHER. Will you tell me this about the speculator. I could drop into the Chicago stock yards in the morning and announce that I am going to buy so many cattle on the yards.

Mr. BROWN. Yes, sir.

Mr. TINCHER. Now, tell me why it is that understanding exists on those yards. I will say, "Where is a good man to buy these cattle?" and somebody will tell me, and everybody will tell me, "Why, you go and get this firm's speculator or you go and get this firm's buyer and then go buy them of that firm's speculator." Why is that? Of course, I know you say there is absolutely no connection between the speculator and the commission man, but why is there that common understanding and talk so freely around the yards.

Mr. BROWN. I have never heard of any transaction of that kind in the Chicago market, Mr. Congressman, and I would like to have you furnish us with the names of any commission men who would refer you to a speculator to handle that kind of business.

Mr. TINCHER. You claim that you sell just as many cattle to one speculator as to the other, and that every commission company does that?

Mr. BROWN. Yes, sir.

Mr. TINCHER. They do not have any particular speculator?

Mr. BROWN. Absolutely not.

Mr. TINCHER. And there is not any financial arrangement between any speculator and any commission company on the yards at Chicago?

Mr. BROWN. What do you mean by that, as to the splitting of profits?

Mr. TINCHER. No; I mean as to financial backing.

Mr. BROWN. Oh, yes; there are a number of commission men that will—for instance, a trader will come into the office and say, "Here, I will pay you $100 a month if you will buy my stock, if I put up anywhere from $2,000 to $5,000 or $10,000 to protect the commission firm." That is done by a number of them.

Mr. TINCHER. There is a financial arrangement, then, between the average speculator——

Mr. BROWN (interposing). There is that financial arrangement. There is no crooked financial arrangement.

Mr TINCHER Oh, no; it is straight, I understand that. You are president of the whole bunch. You are president of the Wichita Stockyards?

Mr. BROWN. Yes, sir; I am the president of the organization of which the Wichita Stockyards is a member.

Mr. TINCHER. You are familiar with that market?

Mr. BROWN. No, sir; I have never been in Wichita. I am sorry I have not.

Mr. TINCHER. Well, it is a nice place to go sometimes.

Mr. BROWN. I would like to meet you there, Congressman. some time, and we would go over the plant together.

The CHAIRMAN. Mr. Brown, you were speaking about the speculators buying a number of carloads of prime corn-fed cattle.

Mr. BROWN. Yes, sir.

The CHAIRMAN. To whom do they sell? Are they sold to the packers in the same city?

Mr. BROWN. Well, they will sell to the eastern order buyers. I think in the main, those cattle, for instance, say Mr. Stafford sold your cattle to John Jones, a speculator. John Jones might and probably would take those cattle over into another section of the yard where there is an entirely different set of packer buyers, where there may be an entirely different set of eastern order buyers, and put them in the hands say of the Standard Live Stock Commission Co., and the Standard Commission Co. would put them on an entirely different market with a different set of buyers, and would be able to develop, perhaps, a higher bid. Perhaps they would only be able to develop a lower bid and the cattle might be sold at a loss, but that is the way those cattle are handled.

The CHAIRMAN. He puts them into the hands of the commission man to sell to the highest bidder?

Mr. BROWN. Yes, sir; he can either sell them himself or put them in the hands of a commission man, but I think that probably in most of the instances the cattle are resold through some other commission form in some other part of the yards. The Chicago stockyards is practically divided, as you know, into three divisions.

The CHAIRMAN. One contention is that the packers use these speculators as their agents to depress the market so that they can buy at a lower price.

Mr. BROWN. Has that contention been made?

The CHAIRMAN. I think so.

Mr. BROWN. That is absolutely not true. I think the packers to-day, if they had the power to do so, would eliminate every speculator in the Chicago stockyards, and I think the packers would say, if they were on the stand——

Mr. MCLAUGHLIN of Michigan. Right in that connection, you said a few minutes ago that the packers have refused to buy from these brokers and speculators?

Mr. BROWN. Yes, sir; they have quite a number of times.

Mr. MCLAUGHLIN of Michigan. Is that the rule or did that rule prevail for any considerable length of time?

Mr. BROWN. Well, I do not know whether it is a rule or not. It is something they do. I do not know whether they have gone on record about that at any meeting.

Mr. MCLAUGHLIN of Michigan. A large number of the cattle that are fit for slaughter; a large portion of them that reach the stockyards are sold ultimately to the packers, are they not?

Mr. BROWN. Yes, sir.

Mr. MCLAUGHLIN of Michigan. And it would seem to me that if the packers would take that position in refusing to deal with the brokers and speculators it would put those gentlemen out of business, except as they might reach buyers for distant shipments.

Mr. BROWN. Well, I am speaking particularly of two or three of the largest packers doing that. On the Chicago market there are times when the smaller packers will buy fully half of the stock—that is the small packers and the eastern shippers—so that it would be pretty hard for them to force out anybody who was speculating or trading. I presume that their idea in trying to stop that kind of work

is due to the fact that these people cause them so much trouble by their strenuous competition in bidding against them for live stock.

Mr. RIDDICK. You think the speculator, even in buying corn-fed beef, increases the price paid to the producer?

Mr. BROWN. Yes, sir. I think if you would canvass the commission men in every market, they could give you any number of instances where the speculators have bought corn-fed beef at infinitely higher prices than the packers would give.

Mr. RIDDICK. Is it also your judgment that making an increased number of buyers tends to stabilize the market?

Mr. BROWN. Well, I do not know that I would say that it had a tendency to stabilize the market.

Mr. RIDDICK. If it increases the number of buyers and increases the price when otherwise it would be lower——

Mr. BROWN (interposing). I think it is of great benefit to the producers to have this added competition.

Mr. RIDDICK. It appears to me it would have a very stabilizing effect on the market or a tendency that way.

Mr. TINCHER. To have the speculator buy the fat cattle?

Mr. RIDDICK. Yes; any time you increase the number of buyers, you tend to stabilize the market, whereas, if you have one buyer——

Mr. TINCHER (interposing). He can not do anything with it but sell it to the packer. That is all in the world he can do with it.

Mr. MCLAUGHLIN, of Michigan. That is what I asked the witness and he said no.

Mr. TINCHER. But you know yourself that he can not do anything with a finished steer. If one middleman can handle that steer why not have eight or ten before the packer gets it?

Mr. BROWN. Shall I proceed, Mr. Chairman?

The CHAIRMAN. A number of the large packers having packing houses scattered over the country, draw upon Chicago for their supply. Who purchases for the outside plants? For instance, if Armour and Company should have a packing house, say, here in Washington which would draw upon Chicago for its supply, who would buy the stock in Chicago for the Washington plant? Would the buyer for Armour & Co.'s Chicago plant buy that stock in Chicago for the Washington plant also?

Mr. BROWN. I do not know whether I understand you there. Let me see if I do.

The CHAIRMAN. Say, for instance, if Armour had a packing house here in Washington that depended upon Chicago for its supply, would the buyers for Armour's plant in Chicago also buy for the Washington plant?

Mr. BROWN. Yes; he probably would.

The CHAIRMAN. Or would that buying be done through the speculators?

Mr. BROWN. No; the Armour buyer in Chicago would undoubtedly do that if there was a necessity; if they could not get the live stock in Virginia or Maryland or wherever it might be, that was necessary to fill the killing requirements in Washington, the Armour buyer would go in and compete on the Chicago market for live stock to ship to the Washington abattoir. Does that answer your question?

The CHAIRMAN. Yes; I was asking for information.

Mr. BROWN. The live stock commission men selling live stock at the open markets throughout the country, act as the personal agent or representative of the live stock producers. They perhaps perform more actual labor in connection with the handling of live stock shipments than is the case with any other commodity marketed. As statistics show, the small sums paid them for commission represents the lowest commission on any commodity sold through brokers or commission men on which a brokerage fee or commission charge is fixed. The commission man must furnish his patrons with personal market advice letters, and subscribe at his expense to market papers furnished gratis to such patrons. The incoming shipments must be traced to insure prompt delivery, and after arrival the shipments are unloaded, sorted, yarded, fed, and watered before being offered for sale, so that they will present the best possible appearance. After negotiating with the various competitive buyers, the stock is weighed up, amount of sale collected and remitted to the customer, and where the animals are to be reshipped care must be ordered for loading and the stock delivered to the loading pens from the sales division, and when cars are placed, the commission men assist in the loading service.

Every sale made by a commission man carries with it his unqualified guarantee of title. Thousands of dollars are lost by these concerns each year through the sale of mortgaged stock, but, regardless of this fact, the commission man protects the buyer who need have no fear of the title.

Mr. YOUNG. With reference to the guarantee of title, it had not occurred to me that there would be any losses from that point of view by reason of the fact that there was a mortgage in favor of somebody down where those cattle were grown. Has it been demonstrated that that is true year in and year out, and that losses of that kind occur?

Mr. BROWN. The courts in Illinois and Minnesota—for instance, St. Paul—and several other of the States have held that on mortgaged cattle shipped in by some other owner the commission man will have to stand the loss, if the mortgagee can trace the cattle to that point.

Mr. YOUNG. And they have actually stood those losses?

Mr. BROWN. Yes, sir.

Mr. YOUNG. In entering into this business, they know that these losses are liable to occur at any time?

Mr. BROWN. Yes, sir.

Mr. YOUNG. Therefore, in their business, they charge that up to the operating expenses of the concern, and feed it back to the general public in the selling of the cattle?

Mr. BROWN. Unfortunately, we can not do that. The packers try often charge up their losses through tuberculosis and other things into the overhead, but we have not any overhead. Our commission rate is a flat rate, We charge one man the same as another, and there is no overhead proposition that we can put any losses of that kind into. It goes into the profit and loss account of the organization or the commission firm.

Mr. YOUNG. Do you find that there is a good deal of loss by reason of mortgages in Texas and Illinois or some other State? That is, that the packers buy cattle and the real owner comes along and you have to repay the money by virtue of having bought mortgaged cattle?

Mr. BROWN. Well, there are a number of instances in all markets where the commission men have had to pay over the net proceeds of shipments to the owner who could establish his legal right to the property, to the cattle.

Mr. YOUNG. The packers are caught in the same way, are they on that proposition?

Mr. BROWN. What was your question?

Mr. YOUNG. That is a proposition of law, I take it.

Mr. BROWN. If they can trace these cattle into the packer's hands before they are killed, the owner can get his cattle.

Mr. YOUNG. That is true.

Mr. BROWN. But he can not trace his cattle after they are killed and distributed around, either canned, or perhaps shipped to different packing houses, in Baltimore, Washington, or New York, or somewhere else.

Mr. YOUNG. The point I am trying to get at is this: Whether the packer who has purchased mortgaged cattle, or the commission man, is responsible, or whoever they happen to pass through at this selling point. I want to know if the commission man or the packer or some speculator buyer, if all these classes of people who are at the selling point in the conduct of their yearly affairs, whatever may be a man's line of business, if he has to figure in as a part of his overhead losses of this kind so that he can feed it back to the general producer?

Mr. BROWN. No, sir; the men in the commission business do not. I can not speak for the traders, and I do not know of any instance where the packers have suffered losses on mortgaged cattle; but, unfortunately for the commission man, they are able to trace it through to the commission man, and are not able to trace it any farther, so that the loss usually falls on him.

Mr. YOUNG. It occurred to me that that is a pretty hard iron-clad doctrine, if that is true, if some crook will get mortgaged cattle and send it to the market and have it sold in that way, and then some neighbor, who has to send his cattle to that same market, must help to pay the bills by reason of that other fellow's crookedness.

Mr. BROWN. No, sir. The neighbor does not have to pay bills at all. It is one of the unfortunate things connected with the commission business that we have not been able to analyze or protect ourselves against. I wish we could.

Mr. ANDERSON. Before anyone can go back on the commission man he has to establish the identity of the mortgaged property?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. Is that done very often?

Mr. BROWN. In a number of instances.

Mr. ANDERSON. Can you give the total losses to commission men on account of mortgaged cattle sold in that way, in any year?

Mr. BROWN. I could not right now, but it could be done. The Bureau of Markets, Department of Agriculture, no doubt could ascertain that.

Mr. ANDERSON. Is it a considerable loss in proportion to the total stock sold?

Mr. BROWN. Oh, no; I would not say it was. It is something that, perhaps, scares us more than the real damage that is done—because we do not know at what time we are going to get a shipment of that kind. Sometimes one-third to one-half of the shipments at certain

periods of the year are made by men that we have no acquaintance with. The cattle are shipped to us to be sold. Say that a shipment consists of five carloads of cattle, and they come in to the Chicago stockyards and we sell them. We make a return to the man who shipped them. Inside of a week, or perhaps of two or three weeks, there is the possibility of somebody else coming in on us for the returns on that shipment of cattle, or a part of them. We did not know that the man who shipped those cattle to us for sale originally did not own them, but this other man comes along prepared to prove and does prove that he owned these cattle. And a number of commission firms in Chicago have suffered serious losses by reason of shipment to them and sale by them of mortgaged cattle.

Mr. ANDERSON. In most States it is my impression it is a criminal offense to sell mortgaged property. I assumed under those conditions there would not be very much of it done?

Mr. BROWN. There is no question about the fact that if those cattle were shipped to me, and I could get knowledge of the whereabouts of the man who shipped them and to whom I remitted that I could take action against him, and perhaps our firm individually or the exchange itself would follow up that man just as long as we or they could keep any sort of track of him.

Mr. TINCHER. Suppose there is a shipment of five carloads, it would be out of the ordinary to remit the proceeds to the individual, wouldn't it?

Mr. BROWN. Oh, no.

Mr. TINCHER. A man who ships that many cattle, doesn't he have the remittance made to a bank?

Mr. BROWN. Well, I meant that. Suppose that should be remitted to a shipper at Adel, Iowa, through the proper bank at that point. Then the shipper could go to that bank and get his money, and he would be gone when we learned about the fact that the cattle had been mortgaged. He might be in Canada or in Mexico a week later or two weeks later.

The CHAIRMAN. Speaking about the matter of tracing cattle: Commission men are not liable unless the cattle are traced or identified, are they?

Mr. BROWN. Well, they do not have to go and pick out those particular cattle, Mr. Congressman. If they can establish the identity of the shipment from the point of origin to the point of destination, and that those cattle were, we will say, sold by Brown-. John Co., my concern, and that they were not sorted, and that at same bunch of cattle which was loaded in the country was loaded in the pens and sold in the pens, and weighed to the packer—they could establish that transaction from start to finish, that is considered by the courts identification enough, and has been so considered several times.

Mr. YOUNG. If, as I understand you, you as a commission man, sell a lot of cattle and all or a part of them are mortgaged you are bound to guarantee those cattle to the buyer?

Mr. BROWN. Absolutely.

Mr. YOUNG. To the man to whom you sell?

Mr. BROWN. Yes, sir.

Mr. YOUNG. And even if thereafter I come and say that I was the owner, that they were my cattle, or that I had a mortgage on them, and I find them in the hands of a packer, and I proceed with suit in

Chicago to foreclose my mortgage, and sequester those cattle from the packer, the packer would be saved harmless by you?

Mr. BROWN. Yes, sir; absolutely we guarantee the cattle.

Mr. YOUNG. But as the legal owner of those cattle I can recover them from the packer?

Mr. BROWN. Yes, sir; wherever you find them.

Mr. YOUNG. And even though I could recover those cattle, we will say from the packer by identifying them in his hands, here you would have to pay the packer the amount that he had paid for them?

Mr. BROWN. Yes, sir.

The CHAIRMAN. You may continue your statement, Mr. Brown.

Mr. BROWN. The live-stock commission men in the 10 or 12 largest live-stock markets in the country do more to encourage increased production and the extensive feeding of live stock than any one interest in the United States. The commission man not only loans his own money, but indorses his name on millions of dollars of commercial paper for feeding cattle and hogs that could not be produced by the smaller farmer or renter in the country unless a commission man would stand back of the financial end of the transaction.

The financing of live-stock feeding and the loans that are now known as "cattle paper" in all the great banks of the country not only stimulate the feeding of cattle but make it possible. This method of financing is peculiar only to the live-stock industry, as the grain men do not have to loan money to the smaller farmers and feeders to enable them to carry on business, where the live-stock commission man often undertakes risks in loaning this money, and in many instances has sustained severe losses, and that your honorable committee may know the proportions to which the financing of this "cattle paper" has grown, I have made a careful canvass of the banks of Chicago and find that during the year 1918 Chicago alone financed $132,600,000 of "cattle paper."

Last week I had a little talk with one of the largest commission men in Chicago, who had that week tried to negotiate for $500,000 worth of cattle paper. The banks, as you gentlemen know, have been discouraging loans, and many of them have not had the money to loan. Anyway, this man could not loan the $500,000; that is, he could not place this $500,000 loan—or they represented several loans which aggregated $500,000—through the banks as he had done ordinarily, for the reason that he could not get the money through the banks. He financed $125,000 of that paper himself by giving his own note. He did not want to lose the customer, and wanted to help him, because he was a man he helped every year at that time. I merely speak of this matter, gentlemen of the committee, to show the chances that the commission men in all the large live-stock markets, not only in Chicago but in other markets, take in indorsing and financing and loaning money to the live-stock producers.

Mr. ANDERSON. Will you give us some idea to what extent the commission men do finance producers? In other words, is that a very general practice?

Mr. BROWN. Well, I just read about that. I do not know whether you heard me or not, but I said that in the year 1918 Chicago commission men indorsed paper or loaned their own money to the extent of $132,600,000.

Mr. YOUNG. Let us see a little more about this transaction. Take the sum of $125,000, which I believe this particular man felt like he had to take care of for an old customer, to that extent anyhow?

Mr. BROWN. Yes, sir.

Mr. YOUNG. In taking care of that financial transaction goes along the correlative duty of shipping those cattle to the man financing him, doesn't it?

Mr. BROWN. Yes, sir.

Mr. YOUNG. Does not that give the commission man considerable power over the man to whom he loaned that $125,000?

Mr. BROWN. I do not know what you mean by "power."

Mr. YOUNG. I have always found if I owed a man an obligation that he had a good deal of power over me in some way. In other words, I usually had to walk when he said walk. If you hold the purse strings over a man you have a good deal of power over him. Now, in this instance that you cited, here was a cattle producer who borrowed $125,000, which was invested in cattle, of course It at least leaves—well, I can not think of a better word than the word "power" in this commission man to say to the producer that he must ship his cattle by a certain date nolens volens

Mr BROWN I do not just get your meaning? Is there an insinuation there, Mr Congressman?

Mr. YOUNG. I was just wondering if they ever exercised that power to the disadvantage of the producer; to drive a bargain, in other words?

Mr. BROWN. Why, there is every incentive for that man who has loaned that money not only to get his money back intact but to get the highest possible price in the world for the man in the country for whom he is negotiating that loan.

Mr. YOUNG. Well, I am glad to have you say that, and hope it is ollowed all the time.

Mr. BROWN. I have never known of an instance where it was not done.

Mr. HUTCHINSON. I will ask if this same principle is followed in the South, Mr. Young, in the case of cotton; in the case of men who are helped in the matter of fertilizer for the production of cotton.

Mr. YOUNG. I happen to live in a section of the country where the soil is 100 feet deep. We would not know what fertilizer was if it were shipped down there.

Mr. HUTCHINSON. You know we have been told that a cotton crop is generally eaten up before it is grown in the way of fertilizer bills and other things.

Mr. TINCHER. Why, gentlemen, what is fertilizer?

Mr. HUTCHINSON. I don't know.

Mr. YOUNG. Well, candidly, I do not know about that.

Mr. BROWN. Speaking very frankly, and while I am perhaps not getting your thought, those loans are made for a set time, as you know, and the cattle are expected, and in most instances do, come to market on the maturity of the paper. On the other hand, in a great many instances, it is not propitious to ship those cattle on the maturity of the paper, and the man who loaned the money——

Mr. YOUNG (interposing). Let me stop you there a moment. Suppose I am a cattle producer and I have borrowed $125,000 from you as a commission man and invested in cattle on my ranch and

prior to the maturity date, which is approaching, there is something in the Chicago conditions whereby I am not satisfied with the Chicago market; that is, that I do not believe I will get the full worth of my cattle there—no matter whether I am right or wrong in my idea. I have a fear that I will not get the worth of my cattle if they are shipped to Chicago—and I prefer to ship them to Kansas City, St. Louis, or Fort Worth, would I be permitted by you as the man who loaned that money to do that?

Mr. BROWN. Why, I think without doubt if the commission man were asked by the man who owned the cattle in the country to be permitted—that is, if the commission man should be asked by the producer in the country to be permitted—to ship those cattle to Kansas City, to Sioux City, or Fort Worth instead of to Chicago that the commission man would undoubtedly permit it to be done. Furthermore, a great many of these loan houses have branches at all these markets.

Mr. YOUNG. It seems to me that the producer of the cattle should have that privilege. Of course you, as a commission man, must know that you are going to get your money back on them, but each of you should want to get the most that it is possible to get out of the cattle.

Mr. BROWN. Oh, yes. Carrying out your original thought as to the power that should be brought to bear on the producer, I want to say that there have been instances where the cattle market at some point has not been propitious at the time of the maturity of the paper, and where the commission man himself suggested to the producer in the country who borrowed the money that the time of the loan be extended so that the producer would get eventually more money than the commission man thought he could get on the market at the time of the maturity of the paper.

Mr. YOUNG. Your viewpoint is that a commission man in order to be successful must have cattle producers who are successful to deal with and that you are simply an agency in that success.

Mr. BROWN. We can not be successful in our line of business unless the producer is successful. There must be cattle produced, and in order to have cattle produced the business of producing cattle must be a success, and those cattle must be brought to the market and sold in order for us to be a success. We must represent the cattle producer, and the commission man who has the greatest facilities for helping the producer will be the more successful.

Mr. YOUNG. I think I can see your position and that of the producer, but I was thinking more of the packer in that connection. That is the reason why I asked if this power was not a very dangerous power—in the hands of the packers in connection with loans.

Mr. BROWN. Well, I do not know of packers loaning money.

Mr. YOUNG. They do in my State of Texas.

Mr. BROWN. Not so much as a packer concern, but perhaps as packer banks or packer organizations.

Mr. HEINEMANN. I think you will find there was more trouble experienced by your feeders on account of loans called in by the Government that by loans called in by commission men or packer banks or anybody else.

Mr. YOUNG. Well, you know in our State we had a year or two of drought, but at the same time everybody knew that the Government was helping during the war time and was going to get out of that business, so that was one of the things that could not be helped.

The CHAIRMAN. You may proceed with your statement, Mr. Brown.

Mr. BROWN. The commission man is merely the "hired man" of the live-stock producer or shipper. This statement must be amplified by explaining that he must take risks never incurred by the ordinary farm hand. The continued patronage of the shipper can only be insured by giving full value in the form of satisfactory service.

The shipper is always at liberty to divert his shipments to other concerns at the same or other markets. No rule forbids the keen competition which prevails between commission firms, and I am sure that you who are familiar with the marketing of live stock agree with me that we overlook no opportunity to add to our list of customers.

It has been argued by some of our professional "theorists" that the number of commission firms could be reduced with a corresponding reduction in marketing costs.

The fallacy of such an argument can not be better shown than by merely stating that the unit cost per car of marketing would not vary greatly if all cars were marketed by one concern. The benefits and economy that would follow the reduction in the number of our "parlor market theorists" would be vastly more beneficial than the proposed scheme.

Mr. TINCHER. What do you mean by "parlor market theorists?"

Mr. BROWN. Well, there are a great many people around the country now who know a whole lot about the live-stock market, a whole lot more than the man who has been at it for 30 and 40 years, and perhaps they have never been on the market at all.

Mr. WILSON. They are what you might call economic students.

Mr. BROWN. Some of them are hogologists, and some of them are professors who have just graduated from agricultural or other colleges. I think the average Congressman will agree with me that to-day every college in the United States almost from Harvard down is rotten with socialistic ideas. These fellows that come out of college know a whole lot more about Karl Marx and Trotski and Lenin than they know about actual industrial conditions in this country.

I want to make the point clear that the Internal-Revenue Department of the Government has classified commission firms as personal service organizations, whether corporations or individuals. We are in the same class as far as taxation is concerned as lawyers, doctors, engineers, and a number of other personal service men.

Mr. TINCHER. You stated that there could be no saving by reducing the number of commission men. I did not just understand that. A commission company has a salaried man who sells cattle, and then it has a salaried man who buys cattle, and then it has a salaried man who sells hogs, and it has a salaried man who buys hogs; and it has an office force, and probably other employees that I have never met. They do not have solicitors any more as I understand it, nor entertainers, but they have offices and have to maintain them, and somebody has to pay all this expense. You charge fixed rates per car for buying or selling hogs or cattle. If there are more of these employees than are actually busy or are required to attend to that business, they should be reduced and the expense reduced, couldn't they?

Mr. BROWN. If your hypothetical analysis is correct, Mr. Congressman, yes; but I will say that in Chicago 83 per cent of the commission men are actual salesmen. They are not hired men; they are not salaried men. I am a salesman myself. I am the head of my concern, and my partner is a salesman. And you go right through the commission concerns, not only in Chicago, but in every market, and you will find that most of the actual salesmen are the principals in the concern. Now, you reach the stage in the year, say commencing the 1st of October and lasting until the 1st of March, in which is the great rush of live stock to market; and I want to tell you that the present ability of the commission men in any of the large markets in the northern part of the country, where this rush of stock comes in, is hardly equal to the receipts. I mean, that the number of commission men is hardly equal to carrying on the business. We get to the yards usually about 7 to 7.30 in the morning, and it is no uncommon thing for salesmen, for bookkeepres, to be still in the offices anywhere from 7 to 10.30 at night during the rush. We are not eight-hour men; we put in longer hours than any other class of men in the United States.

Mr. TINCHER. Let me confess that I did not understand that. I supposed that the average commission man did not actually do that work; that the real work I have mentioned was done by salaried men instead of by the owners or heads of firms or companies.

Mr. BROWN. There are such instances, Mr. Congressman; but the most of them are at work.

Mr. TINCHER. I know and you know that there are a great many markets where there are dozens of commission companies that just make enough money during the year so that their commissions will just about pay the salaries. And you know, too, that of the business they do some other commission company could take what few stock thay had and handle it at very little expense, so that perhaps some one who had been on those yards perhaps has had a legitimate criticism, and it is natural that they should think that the rate could be reduced by reducing the number of men working in the yards.

How many commission men are there in Chicago?

Mr. BROWN. I think at the last count we had 87.

Mr. TINCHER. How many are there in Kansas City?

Mr. BROWN. In the 60's, I think. I can get that absolute data for you if you would like to have it.

Mr. TINCHER. Well, if a person would make a study of one of those yards and prove that there could be some reduction in the number of commission men, you would call that person a parlor Bolshevist or parlor economist, would you?

Mr. BROWN. I want to ask you a question: Would you begrudge that poor devil who is trying to make a living but perhaps does not get much business that is shipped into the different markets the business that he does get? Would you force him out of business?

Mr. TINCHER. I have never offered the criticism that there were too many commission men, not in my life; but I wondered if some poor fellow should offer such criticism whether it would be hardly right to describe him by any such appellation as you used there.

Mr. BROWN. Well, I will stand by it.

Mr. TINCHER. I have never made a study of this proposition, and I am frank to say to you that I am very much surprised to find that the majority of the commission companies are represented by the

heads of the concerns when you come to the men who do the actual work. That has not been my experience in dealing with them.

Mr. BROWN. That even becomes more so in the smaller markets. For instance, take such markets as Nashville, Louisville, and Cincinnati, and you will find that almost all of these men actually engaged in buying and selling at those markets are the principals.

Mr. YOUNG. I would like to know, for my own benefit, the modus operandi of sales in the yards. Suppose I am a shipper from Texas and ship to you 1,000 head of steers—fatted steers. Say they reach the market at 9 o'clock in the forenoon. As a commission man, do you put a price on those steers, or do you simply receive bids from prospective buyers?

Mr. BROWN. As you probably know, cattle before they are shown for sale are fed and watered. If they come in from Texas, as you say, and are shown gaunt, they would not have nearly the selling qualities, either to the seller or the buyer. So we put them in the best possible condition for sale; that is, we fill them. They then look better. Then, if I am the man who is selling them——

Mr. YOUNG (interposing). They are out of my possession entirely as the shipper. I do not even accompany them, is my proposition.

Mr. BROWN. All right; you are not there. We will say that there are 1,000 cattle, and they are probably put into 15 pens. I will ride through those different pens, carefully looking at those cattle and forming my own estimate of their value. After I have gone through those cattle, if I have an assistant cattle salesman—and we may have two or three, depending upon the size of the concern, perhaps we will all ride through. And at the end we will each say what we think that drove of cattle is worth. Then we will start——

Mr. YOUNG (interposing). That is your own conference?

Mr. BROWN. Yes, sir.

Mr. YOUNG. The packer or prospective buyer has nothing to do with it?

Mr. BROWN. Nowhere near us are they. Then we will go and dig up a buyer, either the packer or the eastern shipper or the local slaughterer, whoever he may be. After showing those cattle during the morning, and perhaps during the afternoon if we think we were not bid enough during the morning, we will finally sell them to the highest bidder.

Mr. YOUNG. Do you ever name the price you ask for those cattle?

Mr. BROWN. Yes, sir; we usually try to ask 50 cents and sometimes $1 a hundred more than the cattle are worth, or more than we think the cattle are worth.

Mr. YOUNG. I am curious to know just what you base your estimate of value each day on?

Mr. BROWN. Well, (1) on the quality and weight of the cattle; (2) on the prospective market conditions. If the market has closed strong the day before, and if during the afternoon we have learned or if we have read in the morning papers of the receipt in the eastern markets of beef and we find there is every reason why the cattle market should be higher, we will try to ask enough so that the producer will not criticize us at all in our asking price.

Mr. YOUNG. So you as a commission man get in touch with all the physical surroundings of each day's market?

Mr. BROWN. Absolutely.

Mr. YOUNG. And what effect it will have on the next day's market?

Mr. BROWN. Absolutely.

Mr. YOUNG. As to the prospective demand of the packers, feeders, buyers, eastern shippers, and so on?

Mr. BROWN. Yes. And on the question of hogs, very often there will be a squeeze on the board of trade. The average hog man is not expected to know about a squeeze on the board of trade; but if pork prices have gone up, or if ribs or lard have gone up 50 cents to 75 cents a hundred we will ask more for those hogs the next morning. We have to keep in touch with absolutely every phase of the outlet for that stuff.

Mr. RIDDICK. Isn't it true that the local situation at the stockyards plant has more to do with affecting prices than the general law of supply and demand over the country?

Mr. BROWN. I do not know what you mean by the "local supply?"

Mr. RIDDICK. Well, on the day before Sunday when you have to make a clean up because it is too expensive to carry the stock over, that affects it?

Mr. BROWN. Yes.

Mr. RIDDICK. And that has a depressing effect on the market?

Mr. BROWN. Yes, sir; there is practically no market in Chicago on Saturday except for butcher cattle.

Mr. RIDDICK. And there are other conditions, such as when you have light shipments or preceding a holiday?

Mr. BROWN. That is very apt to be the case.

Mr. RIDDICK. And a storm usually affects sales?

Mr. BROWN. A storm usually has a bullish effect on the market because it stops the flow of cattle to the market and the price of stock there for sale is usually advanced.

Mr. RIDDICK. Isn't that one of the grievances of the producer of live stock that the local situation affects prices and he does not get what he is entitled to because of local conditions?

Mr. BROWN. That happens often, but it is something that I do not see how it could be prevented.

Mr. TINCHER. Did you ever hear of the commission merchant ever initiating advice to the shipper to ship on?

Mr. BROWN. Do you mean have I done it?

Mr. TINCHER. Have you as a commission man advised a shipper of live stock to ship on?

Mr. BROWN. Do you mean to ship farther east?

Mr. TINCHER. Yes.

Mr. BROWN. That is not very often done out of Chicago now, but our concern, when my father was in it, advised the shipment of trainloads on to Jersey City, Buffalo, and other places where we thought our customer would get more for his stock.

Mr. TINCHER. You do hold over, too?

Mr. BROWN. Oh, yes, we do that very often. For instance, during this war period, and we never had such violent fluctuations, on a serious two or three days' break, we have held up our customers' stock two or three days longer if we thought we could make him money by doing so. We have done that repeatedly.

Mr. HEINEMANN. Do not you quite frequently predicate the price you are going to ask for your stock on the particular grade of goods that some buyer wants? In other words if you had a certain

kind of hogs and you know that a packer is greedy for that kind of stock you bull the price?

Mr. BROWN. Oh, yes. For instance, at the present time on the Chicago market there is a spread as we call it between prime light bacon hogs and the heavy fat packing sow of from $1 to $2 a hundredweight, depending upon how coarse and how heavy the fat packing sow is. The heavy bacon hog is now not wanted not only by exporters, but local slaughterers because of scarcity; and the scarcity is due to the fact that we raised a big corn crop last year and the farmers wanted to feed their corn to their hogs, and it made all of them fat, so there are few light hogs coming to market.

Mr. TINCHER. You know what cattle weigh without any scales to aid you, don't you?

Mr. BROWN. Well, I think the average cattle salesman of several years' experience can get within 25 pounds of the general average. Perhaps there are times when he could not guess within 50 pounds, but I think he could guess the weight of a steer a good deal closer than a farmer could.

Mr. TINCHER. He can guess close enough to what a steer weighs to be able to figure on the matter?

Mr. BROWN. Absolutely.

The CHAIRMAN. You may continue your statement.

Mr. BROWN. Our firms are not composed of "many drones and few workers." My own firm is, I believe, fairly representative in this respect. My father as one of its founders was actually engaged in the business before me and as a young man I followed in his footsteps and for 30 years I have been constantly at work. By work I do not mean that I labor at a mahogany desk, but I daily don my yard boots and working clothes and perform the actual labor of sorting and selling the stock in my care.

I know of no individual who has attained great wealth from selling live stock on commission. Those who have been so fortunate in acquiring worldly goods have invariably made their money in other ways. Many of our men are producers, in fact, practically all of our pioneer commission men were producers, and many of them continue that business.

I can say that I think the commission man to-day sympathizes more with the producer than any other class of men in America. I think the most of the commission men, not only of the Chicago stock yards, but on other stock yards, are farmers themselves. They feed live stock. I own a farm myself, and I know exactly what the producer and the fattener of all kinds of live stock is confronted with.

Mr. TINCHER. Do you raise stock or do you buy feeders?

Mr. BROWN. We usually buy feeders, Mr. Congressman.

Mr. TINCHER. You are in a pretty good position to buy them?

Mr. BROWN. Yes.

The CHAIRMAN. You may continue your statement.

Mr. BROWN. The live-stock commission men all over the United States were absolutely indispensable to the Food Administration during the war. The live-stock advisory committee of the Food Administration, of which I had the honor to be a member for nearly two years, was constantly requested to impress upon the commission men the necessity of urging the live-stock producers all over the United States to materially increase production.

I also had the honor to be appointed by Mr. Hoover as chairman of the price stabilization and control committee, which maintained the price of hogs at $17.50 on the basis of Chicago from October 1, 1918, to March 1, 1919, inclusive. The Food Administration at that time obtained a voluntary agreement with about 30 of the largest packers of the United States to maintain this price basis. This could not have been done without calling in the commission men, who represent the selling side, as well as the packers, who represent the buying side of the market. Both the commission men and the packers are entitled to the fullest credit for maintaining this agreement with the Government.

The producers could not believe that this price agreement could last, and flooded all of the markets during most of this period to such an extent that the Railroad Administration had to be called in by my committee, and at most of the markets a certain number of cars (which equaled the capacity of these markets) were allotted by the railroads.

The price agreement saved the producers of the United States fully $200,000,000, and I have no doubt but what the packers in carrying out this agreement had to fill their cellars and additional warehouses with immense stocks of meats, and I imagine that this tremendous accumulation of meats stored at the request of the Food Administration has not been entirely absorbed by the foreign and domestic demand, even up to the present time.

As commission men and as the direct representative of the producer we are not here to object to the application of any remedy designed to right any wrong to producer or packer. We believe in the supremacy of our Government and willingly lend our aid to the enforcement of its laws. We will not, however, subscribe to the remedy here proposed, nor are we prepared to admit—as has been done by others—that our Government can not punish those who violate our laws.

Let me explain that there have appeared before this committee certain representatives of alleged farmers organizations—Heaven help the mark!—and who urged the enactment of this legislation? I want to urge that no attention be paid to such self-constituted leaders of the real live-stock people. The commission men are paid by the rank and file of the producers to handle all their business to the best advantage, and we have been doing this for many years. It can be said without fear of contradiction that we more nearly represent the millions of live-stock producers of the country than does any other similar organization; and for the reason, gentlemen of the committee, that practically all of this live stock in the hands of these producers has to flow through all these large live-stock markets, and those men are paying us to handle that business—and, believe me, we are not false to that trust.

With unlimited powers of investigation it is small wonder that the investigation of this great industry should unfortunately terminate in an "inquisition." With page after page and volume after volume of accumulated data prepared for or by the witness it is but natural that errors of more or less importance should creep in.

Mr. ANDERSON. What do you mean by that ststement, "prepared for or by the witness?"

Mr. BROWN. What was your question?

Mr. ANDERSON. What do you mean by that statement you just made there with reference to "page after page and volume after volume of accumulated data being prepared for or by a witness?"

Mr. BROWN. Well, I have in mind the statements made from time to time and spread broadcast over this country. I do not think there is any secret about the matter. I think the Federal Trade Commission has prepared that kind of stuff. Does that answer your question?

Mr. ANDERSON. I do not know whether it does or not. Are you accusing the Federal Trade Commission of doing that? I want to know what you are driving at; are you accusing the Federal Trade Commission of inducing men to testify to things which are not true?

Mr. BROWN. Oh, no. But by insinuation or psychology or whatever may be the cause, they seem to lean toward the persecution and not the fair prosecution of this live-stock industry. That is what I mean.

Mr. ANDERSON. You have just said there that:

With page after page and volume after volume of accumulated data prepared for or by the witness it is but natural that errors of more or less importance should creep in.

What do you mean by that statement?

Mr. BROWN. I think it is fairly good English, isn't it?

Mr. ANDERSON. I am not questioning your English, but I want to know what you mean by it.

Mr. BROWN. I think it expresses itself right there.

Mr. TINCHER. That is your evidence, what is stated there, is it?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. Well, I want to know ——

Mr. BROWN (interposing). Let me go on a little further with my statement and maybe you will understand it.

Mr. TINCHER. I have in mind that the statement has been made that a considerable portion of the statements made before the Senate Committee on Agriculture and Forestry were prepared by Mr. Borders, counsel for Morris & Co., and handed to witnesses at dinner parties and around over town, and were afterwards read to that committee. Is that the kind of prepared statements that you have reference to in your testimony?

Mr. BROWN. No; I was referring more particularly to Mr. Colver.

Mr. TINCHER. It is to Mr. Colver in your case that you are referring?

Mr. BROWN. Yes, sir.

Mr. MCLAUGHLIN of Michigan. Well, it is unquestionably true that a great many deductions and inferences and conversations have been repeated as testimony by those men.

Mr. BROWN. I think if you will allow me, Mr. Congressman, I will just go on with my statement, and that perhaps will answer your question.

The CHAIRMAN. You may continue your statement.

Mr. BROWN. I do not charge willful misrepresentation of facts, but merely a mistaken understanding of some of the fundamentals.

I hold no brief for the packers nor the stockyards, well knowing their ability to establish their own case. Neither am I here in defense of any dishonest commission man, if any can be shown to exist. I merely desire this committee to have all of the facts before it, some of which might better have been brought out had cross-examination of

the witness been permitted. It seems to me we have had about enough of this sort of twaddle from members of this important Government bureau. Perhaps it would not be amiss to suggest a form of control for these ambitious climbers suffering from "verbal hemorrhage."

Mr. Colver stated that the so-called independent packers existed merely at the sufference of the five large packers. If this be true, how does he account for the fact that at many of our great markets the independents repeatedly and aggressively set the pace in buying live stock? Would the so-called "trust" voluntarily permit the continuation of such expensive "sufference"? It hardly seems reasonable to think so.

I can recall scores of instances where, in my own market, Chicago, buyers entirely independent of the five large packers have "bulled" the market and created a demand which could scarcely be satisfied.

The fact that I heard many small independent packers testify before the Senate committee of their ability to compete with the large concerns causes me to doubt the truth of this allegation. The further fact that new concerns are being constantly promoted serves to clinch the argument.

The witness stated that the brokers (commission men) were in the yards at the sufference of the packers, although really the agent of the shipper. The shipper in that instance means the producer.

Mr. TINCHER. In scanning the list of opponents of this legislation I believe I see you mentioned the Federal Trade Commission. And I believe you started your testimony by explaining that you represented the National Live Stock Exchange, being its president?

Mr. BROWN. Yes, sir.

Mr. TINCHER. Isn't it true that since you gave your testimony, from which you are reading now, that the Kansas City Live Stock Exchange adopted resolutions indorsing legislation of this character?

Mr. BROWN. I have not heard of it. I will ask our secretary if he knows of it. Mr. Heinemann, do you know anything about such resolution?

Mr. HEINEMANN. Such a resolution is not before us in our office. You stated before the Committee on Agriculture and Forestry of the Senate that that was the one exchange which had not signified either its approval or disapproval of your action.

Mr. TINCHER. Has your own exchange at Chicago furnished you any credentials authorizing you in their behalf to protest against this legislation?

Mr. BROWN. We have repeatedly passed resolutions against this form of regulation. We did that as to the Sims bill, and we did that as to the Kenyon-Kendrick bill.

Mr. TINCHER. The Kansas City Exchange is the second largest in the United States, isn't it?

Mr. BROWN. I think it is.

Mr. TINCHER. If they are for legislation of this kind you do not know about it?

Mr. BROWN We have not received any communication from them stating that to be a fact.

Mr. TINCHER. Well, you are the president of all of them. You know about it. Don't you know whether the Kansas City Exchange is friendly to or is against this legislation?

Mr. BROWN. No sir; I do not.

Mr. TINCHER. Yo do not know the facts about that at all?

Mr. BROWN. No, sir.

Mr. TINCHER. Well, that is at least a queer coincidence.

Mr. BROWN. Do you know that?

Mr. TINCHER. I am told they are for this legislation.

Mr. BROWN. Can you swear that they have passed such a resolution?

Mr. TINCHER. No.

Mr. BROWN. Well, I can not tell you about it.

Mr. TINCHER. What is your information?

Mr. BROWN. In talking about the Federal Trade Commission that was——

Mr. TINCHER (interposing). When you started your testimony you enumerated the different live-stock exchanges you represent. What do you know about this one?

Mr. BROWN. I was classifying the functions of commission men so that the committee would know what the words "commission men" meant; and in doing so I mentioned the exchanges which as national president of the aggregate body of these different organizations, I can speak for them in that capacity.

Mr. TINCHER. Well, now, your speaking for them would naturally hold out to this committee that they had indorsed what you said to us. Whereas if the second largest live-stock exchange in the United States does not indorse what you say to the committee and have taken concerted action in that regard and are really for the legislation, then you are not speaking for them.

Mr. BROWN. No; in that case I am not on that point. But I really think I can speak with the possible exception of the Kansas City Exchange.

Mr. HEINEMANN. I can certainly state that the Kansas City Exchange is not concerted in the matter, because I have talked with any number of the members of that exchange who have stated to me that they are absolutely opposed to this legislation. They may have passed a resolution, but if so I know that action would not be unanimous.

Mr. TINCHER. What appeared to me to be curious was to find that the president of the exchange did not know about this. It has been some time since the president of the exchange gave this same evidence before the Committee on Agriculture and Forestry of the Senate.

Mr. HEINEMANN. Perhaps you do not know that Mr. Brown as president of the National Live Stock Exchange has no mandatory power over the local exchanges. All he can do is to recommend certain action, and they may accept or refuse. He has no way of knowing what the Kansas City Exchange may intend to do about this legislation until action is taken.

Mr. BROWN. Is that all, Mr. Tincher?

Mr. TINCHER. That is all I care to ask there.

Mr. BROWN. During the closing session of the hearings before the Senate Committee on Agriculture and Forestry, Mr. Colver took occasion to launch an attack on me for daring to oppose his pet idea. The matter first came to my attention in the daily press under a Washington date line. His statement was so palpably unjust

that I found it necessary to write the Hon. Senator Gronna, chairman of the committee, setting forth the true situation. This I did in a letter dated Chicago, Ill., January 12, 1920, reading as follows:

Hon. A. J. GRONNA,
Chairman Committee on Agriculture and Forestry,
United States Senate, Washington, D. C.

SIR: My attention has just been called to a statement in the Chicago Daily News, under date of February 9, 1920, to the effect that Federal Trade Commissioner Colver, at a recent hearing of your committee, had stated, among other things:

"Everett C. Brown, president of the Chicago Live Stock Exchange, criticising Government regulation, said that the Department of Agriculture had not pushed prosecutions against brokers who wrongfully withheld money from their clients. An hour after he told you that he was in the solicitor's office at that department, asking them not to prosecute certain live stock men on that charge, because it would raise h—— with the packers."

If Mr. Colver has been correctly quoted let me say here now that he has either intentionally or unintentionally lied about me in that respect.

My letter continues:

"When he failed to gain his point, injunction suits, prepared in advance, were filed to stay the department's prosecutions."

The statement that I urged the solicitor not to prosecute certain live stock commission men "because it would raise h—— with the packers" is untrue. I appeared before the solicitor on the morning of August 26, 1919, and it was not until the afternoon of that day that I appeared before your committee, as your records will show. The occasion of my visit to the solicitor was to ascertain what, if any, evidence he had which justified the revocation of the licenses of several commission concerns who had been notified that their licenses to do business would be revoked if they did not turn over to the Bureau of Markets for distribution by a given date certain sums of money. I was unable to secure any satisfactory information from the solicitor on this point, and then inquired why it was that he was proceeding so drastically against the concerns mentioned, against whom there was no evidence when the department had failed to revoke the license of a concern which had been clearly shown, by evidence collected by the department itself and by that concern's own admissions, to have been profiteering, and which firm had been expelled from the exchange for such misconduct on that evidence.

Inasmuch as I had received no satisfactory explanation from the solicitor for his failure to revoke the license of this expelled member of the exchange, I concluded that the matter ought to be called to the attention of your committee. This I did.

Never at any time or place have I stated that the prosecution of live-stock commission men "would raise h—— with the packers."

It is true that suits for injunction to restrain the Secretary of Agriculture from revoking the licenses of the concerns discussed by me with the solicitor, and which had denied any wrongdoing, and concerning which the solicitor for the department had produced no evidence of wrongdoing, were filed, and the district court at Chicago granted the injunction prayed for.

Mr. TINCHER (interposing). Did you wire back the result of your conference? Did you take any action here that caused the filing of those suits in Chicago while you were still here?

Mr. BROWN. No, sir; I think they were filed while we were in the solicitor's office.

Mr. HEINEMANN. Did you know anything about it yourself?

Mr. BROWN. No, sir; I did not know they were to be filed.

Mr. ANDERSON. Did I understand you to say that this injunction was granted on the ground that there was nothing to sustain the action of the Department of Agriculture?

Mr. BROWN. Shall I read that again?

Mr. ANDERSON. I wish you would.

Mr. BROWN (reading):

It is true that suits for injunction to restrain the Secretary of Agriculture from revoking the licenses of the concerns discussed by me with the solicitor, and which had denied any wrongdoing, and concerning which the solicitor for the department had produced no evidence of wrongdoing, were filed, and the district court at Chicago granted the injunction prayed for.

Does that answer your question?

Mr. ANDERSON. Yes.

The CHAIRMAN. You may continue your statement.

Mr. BROWN (continuing reading):

In the case of the concern whose license, in my opinion, should have been revoked by the solicitor, there was abundant evidence of profiteering which had been gathered by the department and which was admitted to be correct by the concern, and which was used by the Chicago Live Stock Exchange as a basis for its expulsion from membership. There was not and there is not, so far as I have even been advised, evidence against any of these other concerns on whose behalf the bills for injunction were filed——

Mr. TINCHER (interposing). Now, right in that connection: Did you read Mr. Colver's statement given before the Committee on Agriculture and Forestry of the Senate?

Mr. BROWN. No; I have not read the congressional report of that hearing. All I have read is the account that appeared in the newspaper.

Mr. TINCHER. If it is true that the only difference between your statement and his statement as to your conduct in Washington is that you appeared at the Department of Agriculture in the afternoon according to his statement, while you say, I believe, that you were there in the forenoon, that would not be a very material difference, would it?

Mr. BROWN. That is not the only distinction I make.

Mr. TINCHER. I am talking about his statement.

Mr. BROWN. That is true, if that is the only difference he makes in his statement.

Mr. TINCHER. You know that his statement made before the Committee on Agriculture and Forestry of the Senate is a matter of record, don't you?

Mr. BROWN. Surely, but I have not read it in the printed hearings of the Committee on Agriculture and Forestry of the Senate. I have read the press reports as I have told you.

Mr. TINCHER. That is all you wanted in order to go after him, was it?

Mr. BROWN. I think the newspapers are pretty thoroughly reliable, pretty fairly reliable on their press reports.

Mr. TINCHER. I know that the newspapers are pretty reliable, but a long time after the thing happened records are much more reliable than some man's recollection of a newspaper account. You are condemning Mr. Colver here, and you read that for the purpose of calling him a liar, didn't you?

Mr. BROWN. I say if he says that, that that is the case.

Mr. TINCHER. This committee has plenty to do, so why didn't you look it up and see whether he lied to the committee or not?

Mr. BROWN. Well, I will be very glad to do that. I am glad you made the suggestion.

Mr. TINCHER. Probably the man is called a liar enough without that, often enough I say without having that done without looking it up.

Mr. RAINEY. Do you know whether Mr. Colver in his statement said it would raise hell with the packers; you have read that statement, haven't you, Mr. Tincher?

Mr. TINCHER. No; I have not read the statement. I heard you read a part of the statement here one day to another witness.

Mr. RAINEY. I read it to Mr. Colver.

Mr. ANDERSON. Did I understand you to say in this last statement about Mr. Colver that he was induced to make those statements with respect to your connection with this concern that was expelled, and your activities in connection with it, because of your opposition to his pet bill?

Mr. BROWN. I think that is a pretty long question, and I will get the official reporter to read it.

(The question was read to the witness.)

Well, I think the psychology of his actions can be construed that way.

Mr. ANDERSON. The reason I asked you that was that I noticed in the statement which you made to the Senate committee, and which I think you have repeated here, you complain because Mr. Colver, although introduced by Senator Kendrick as a man who approved needed legislation, stated unequivocally that he was not the proponent of any bill.

Mr. BROWN. Mr. Colver stated that?

Mr. ANDERSON. That is what you say he said, and I think he did.

Mr. BROWN. This statement was made several months after that.

Mr. ANDERSON. I was just wondering how you reconciled one statement with the other.

Mr. RAINEY. It was questioned, Mr. Brown, when we went into this before, as to whether or not you called the meeting of the Chicago Live Stock Exchange with reference to the expulsion of this particular concern. Did you or did you not call that meeting?

Mr. BROWN. As the presiding officer, I had to, Mr Congressman.

Mr. RAINEY. And did you preside at that meeting?

Mr. BROWN. Yes, sir.

Mr. RAINEY. And did you vote for the expulsion of the firm?

Mr. BROWN. I did; it was a unanimous vote.

Mr. ANDERSON. Mr. Brown, you went to see the Agricultural Department about these six concerns and filed the application for injunction; is that correct?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. What did you want the department to do about it?

Mr. BROWN. I wanted to find out from the department what the evidence was that they had; if they felt they were warranted in revoking licenses of men who claimed to be innocent, who were willing to go into court and prove their innocence; if they were going to cancel the licenses of those firms whom I considered innocent and whom everybody apparently in Chicago considered innocent, I, as I represented at that time, being president of the Chicago Livestock Exchange; it was my duty to go before that bureau and protect members of our exchange that we considered innocent.

Mr. ANDERSON. What position did the solicitor take with reference to that proposition?

Mr. BROWN. He was rather evasive. I had not been in the preliminary nor in the preceding interviews. I came to Washington to appear as an opponent to the Kendrick-Kenyon bills. I did not know and did not expect to be called to the solicitor's office. I was told by, I think, Mr. Siems, of the firm of Siems-Carey-Kerbaugh Co., that the solicitor of the department wished to ask me some questions regarding the feed accounts of these firms, and he thought that perhaps if he went over there—the attorneys and the department, as near as I could figure it out, seemed to be at sea as to what they would do with these men. They had threatened revocation of their licenses, but there was a feeling, I think, on both sides that they did not want to do that.

Mr. ANDERSON. Had there been any hearing before the Department of Agriculture upon the charges?

Mr. BROWN. You mean as against these different concerns?

Mr. ANDERSON. Yes.

Mr. BROWN. Yes; there had been a hearing in Chicago.

Mr. ANDERSON. Was there any evidence introduced at those hearings?

Mr. BROWN. I was not present. I do not know your name.

Mr. ANDERSON. Anderson is my name.

Mr. BROWN. I was not present, Mr. Anderson, at those hearings, because I thought if it finally reached our board of directors in respect of the charges for expulsion or suspension, that I wanted to be of open mind on the proposition. And I did not want to hear any of the preliminary evidence.

Mr. ANDERSON. Were you present at the hearing on the injunction proceedings?

Mr. BROWN. No, sir; I was not.

Mr. ANDERSON. Then you do not know as to whether the injunction was granted on a trial of merits or upon technical grounds?

Mr. BROWN. Only from hearsay.

Mr. ANDERSON. Well, as a matter of fact, there was no trial on the merits in the court proceedings.

Mr. BROWN. In one case, the case of Wood Bros., there was a trial. They brought in witnesses from among the cattle shippers of live-stock to Wood Bros., and there was a hearing before Judge Sanborn on both sides to the controversy, and there were present both the attorneys for the Bureau of Markets and the attorneys for the six concerns who were involved, who agreed that this case of Wood Bros. was identical with the other five, as a matter of principle and general character. So that the witnesses of the other five concerns were not brought in, although they were in Chicago at the time to be heard if they were required.

Mr. ANDERSON. There was no trial on the merits as to the other five cases.

Mr. BROWN. I think not. I know the Bureau of Markets and the attorneys for the defendants agreed that the case of Wood Bros. should be the test case.

Mr. MCLAUGHLIN of Michigan. Did the Bureau of Markets offer any witnesses or documentary evidence?

Mr. BROWN. I was not there, except a part of that day, Mr. Congressman, so I will not be sure. I think that question should be answered by somebody who was in actual charge of that work. They certainly had the privilege of offering witnesses, because Judge Sanborn, I think, heard that case for two days.

I proceed:

Now as to Mr. Colver: It is a very serious matter for a man exercising the vast powers of a Federal trade commissioner over the business of the country to make statements which slight investigation on his part would show to be loose, unfounded, and false.

Such conduct can not be too severely condemned. The position which Mr. Colver occupies gives to his statements a weight for good or evil which as an individual they would not have. It must seriously react against the power and influence which the Federal Trade Commission should otherwise have to have one of its members indulging in loose and unfounded invective to secure prominence in the public press, where the orderly discharge of his proper function would not secure that attention for him. It is indeed a serious menace to the business interests of the country, to say nothing of the reputation of the business men involved, to be placed at the mercy of one whose desire for publicity permits him to entirely forget the duties of his position and do incalculable harm to advance his own individual ends.

Mr. TINCHER. That is the Colver report you are referring to there?

Mr. BROWN. Yes, sir.

Mr. TINCHER. Do you think that his motives are for publicity? You are stating that as evidence to this committee?

Mr. BROWN. I am stating that as what I have written Hon. A. J. Gronna as my opinion of Mr. Colver's action.

Mr. TINCHER. And you are giving that opinion of Mr. Colver as evidence against this bill?

Mr. BROWN. I think that if men like Mr. Colver are to be put on the live-stock commission that we are certainly going to be in a fine mess.

Mr. TINCHER. I understand that. But we have here now for consideration certain proposed legislation, and we are giving pretty broad latitude in the consideration of testimony, and I understand you are offering your opinion of Mr. Colver as testimony against the enactment of this legislation and, among other things, in your opinion of Mr. Colver is the idea that you think he solicits too much publicity?

Mr. BROWN. Yes, sir.

Mr. HEINEMANN. Was it not stated, at least in the committee hearing, by Senator Kendrick that the evidence of Mr. Colver might be accepted as justification for the proposed legislation?

Mr. BROWN. I have not read that in the record, but I have heard that statement made.

Mr. TINCHER. He was just one of the witnesses. Of course, there were a lot of other witnesses. If you are going to give an opinion on the testimony of all the witnesses it will take a long time.

Mr. BROWN. There have not been any of the others who attacked me.

Mr. YOUNG. The resolutions of the National Live Stock Association and other associations have been read here where they heartily approved the recommendations of the Federal Trade Commission.

Mr. TINCHER. I might say for your benefit, Mr. Brown, that Mr. Colver did not mention your name before this committee, except your name was mentioned by the members of the committee in asking questions. I do not remember that he noticed you in his general statement.

Mr. BROWN (continuing reading):

I feel that the statement attributed to Mr. Colver should not be unchallenged. I should regret exceedingly if it was given any weight by your committee. If it is to be considered at all, I, of course, desire to appear before your committee and refute it. I state it to be absolutely without foundation and wholly untrue, except in so far as it states that I did appear before the solicitor and that I did testify before your committee. The purpose of my visit to the solicitor I have explained above.

I am sending a copy of this communication to Mr. Colver, and also a copy to the Solicitor of the Department of Agriculture. I shall be ready at any time that your honorable committee may set to appear before it, either with or without the presence of Mr. Colver and the solicitor, or any other persons who may pretend to have any knowledge of what occurred.

Very truly, yours,

EVERETT C. BROWN.

As stated, I sent a copy to Mr. Colver, and the acknowledgment I received from him was dated Washington, D. C., January 20, 1920, and read as follows:

Mr. E. C. BROWN,
National Live Stock Exchange, Union Stock Yards,
Chicago, Ill.

DEAR SIR: This is to acknowledge receipt of your letter of the same date to Senator Gronna.

As an effort at mind reading it is interesting.

Very truly, yours,

WM. B. COLVER, *Commissioner.*

That letter, gentlemen of the committee, in my opinion, reflects he type of the chief proponent of this legislation. It may appear ensible to others, but to me it is almost puerile in character.

Mr. TINCHER. You mean that the suggestion that he makes about our letter to Senator Gronna appears foolish?

Mr. BROWN. I think it is absolutely puerile for a man in his posion to give that as his only answer to my letter.

Mr. YOUNG. It at least has one merit, that of brevity. [Laughter.]

Mr. BROWN. Yes; it has the merit of brevity.

Mr. TINCHER. There was not any advertising in that letter, was iere?

Mr. BROWN. No, he apparently did not want to advertise my tter; I do not believe he did.

Just a word about the stockyards. There has been much ado about icker ownership or control affording them the domination of the arket. I have been actively engaged on the Chicago market for 30 ars and, until Mr. Heney made his expose, had supposed the icago yards absolutely free of packer control or ownership. If his tement was correct—and I have no evidence to support or disove it—I can merely point out that the Chicago market is not now ominated" to an extent where we commission men would hesitate fight to a finish for the rights of our shippers.

[t can readily be understood why yard ownership is desirable to packer the same as refrigerator-car ownership. The history of yards discloses no sudden rise to wealth of the original investors. ny of them have gone along for years scarcely earning their upkeep. the packer can turn this liability into an asset and at the same e assure himself a market where a supply of stock is available he scarcely be blamed for so doing.

f the shipper is furnished a yard with all modern improvements shed by him without extra railroad charges he should not object,

so long as the charges of the yard company are reasonable. Depriving the packers of their yard investments might result disastrously to the producer in one of the following ways:

1. Investors would scarcely desire to invest in a business the license for which might be revoked at the whim of an individual.

2. The packer might find it more profitable to forsake the competitive market and elect to go to the country where competition was not a factor.

3. The yards might revert to the railroads—the original founders thereof—and be subject to the imposition of charges in excess of the freight rate.

I very much doubt if the Congress is ready to accept the responsibility for the damage to the producer in either case. Obviously the whole future of the live-stock producers of our country depends upon the perpetuation of competitive buying of live stock.

Mr. TINCHER. Since you prepared that portion of your statement the Attorney General has saved Congress the responsibility of settling this stockyards proposition, has he not?

Mr. BROWN. If you will let me go on just a moment longer, I will answer you on that, Mr. Congressman.

Whatever the future of our stockyards, nothing must be allowed to destroy or restrict this competition. Why tear down what it has already taken over half a century to build up without offering something that we know to be better in its place.

Let me here state that I think the agreement between the packers and the Attorney General was one of the most colossal blunders I have ever known such men to make. I do not believe any one connected with the live-stock industry can possibly benefit from such an agreement.

I want to further predict that with the surrender of the interest of the packer in the yards the present charges will be doubled within five years and that the service will at the same time deteriorate.

Mr. WILSON. I wondered if you had any idea who is likely to purchase these yards and who should purchase them.

Mr. BROWN. Why, I presume that some one of these big holding companies will probably take them over, the same as the United States Distributing Co. has perhaps taken over some of the mines in Wyoming and taken over some of the trucking companies in New York and elsewhere, and I presume that will be the kind of arrangement that will be made. I really do not know.

Mr. WILSON. I do not know anything about it, and yet I have wondered who would likely do it. I understand the yards are worth approximately $50,000,000. I know I could not handle the proposition alone. It was really a puzzling matter to me to know who would be likely to take them over.

Mr. BROWN. I think it would probably be some of the big holding companies.

Mr. YOUNG. I have been sitting here listening to this testimony day in and day out in reference to the Chicago stockyards. Now, the question seems to be who is exercising ownership over them now? The only evidence we have got on that point is that some holding company organized up in Maine under the Maine law seems to be the organization through which those yards are handled, but nobody seems to know who owns the stock.

Mr. BROWN. I think the Federal Trade Commission investigated that and made one of their usual grand-stand plays about it.

Mr. MCLAUGHLIN of Nebraska. Of course, that would not be accurate, would it?

Mr. YOUNG. Independent of what the Federal Trade Commission has said about it, I have had occasion to ask several gentlemen here who represent these packers, and they do not seem to know.

Mr. BROWN. I know I do not.

Mr. YOUNG. There is the point I wanted to make: It occurred to me that here is a great stock yard—Mr. Wilson says they are worth $50,000,000; I do not know anything about their value—but independent of their value, they are the necessary adjunct in handling of the live stock of the country which go there. The charges are accumulating by virtue of this necessary adjunct are overhead charges against the stock producers. They are the men who pay those bills; it comes out of that. Therefore, they have a very lively interest in knowing that this adjunct which is an essential in the marketing of their cattle or their live stock is not charged to them at too high a rate for that service.

If these packers own these yards or any considerable part of the stock in these yards, there is a suspicion aroused in the minds of the live-stock producers of the country that something is not exactly right about those yards, or they would not run away off up to Maine to organize and get a charter to conceal its operations and manipulations so that they can not find out just what they are being charged in order to support these necessary adjuncts.

I have inquired of these packer attorneys and representatives here, and we have not yet been given any information at all. The only information we have is that Mr. Armour owns, or did at one time own, 19 per cent, and I think the live-stock interests of the country have got a right to know and have got a right to be sure that they are not charged too much, because the burden is on them, and if they are paying too much for that service they ought to know it and they ought to be able to take some kind of steps in order that that charge may be reduced.

Mr. BROWN. I think you are quite right.

Mr. YOUNG. I would like to know that, as a member of this committee.

Mr. BROWN. I do not know anything more about the ownership of the stockyards than you say you do. I have no way of knowing.

Mr. YOUNG. That is all I know.

Mr. BROWN. I should think it would be possible, however, to obtain from these gentlemen who claim to own these stockyards a statement as to whether they do or do not.

Mr. YOUNG. Personally, I think those stockyards ought to charge enough to pay their expenses at least, and enough so that people who have money invested in them ought to have revenue for that investment, and all that, but it does raise a suspicion in the mind of any man who tries to arrive at the facts, when the movements are concealed in the manner I have detailed. If the packer is responsible for it he should have to stand responsible.

Mr. BROWN. If, in the face of the many protests the Congress in its wisdom elects to disturb this industry and to impose extensive

and expensive regulation thereof, I respectfully urge for your consideration the following suggestions:

1. That new laws or amendments defining what shall constitute crimes and misdemeanors and providing punishment therefor would be more effective than the licensing system.

2. If our executive and judicial branches of the Government can not secure convictions for violations of existing laws, let us give them new laws, or provide ourselves with new and better means of enforcement.

3. If the licensing system, by whatever name it may be called, be adopted, the commission men should be exempted, since they are acting solely as the direct agents of the producer who is to be exempted.

4. If regulation must come, let it be by a commission such as the Interstate Commerce Commission, or such a body as the Food Administration, and not by the present Federal Trade Commission. Give the industry a fair fighting chance to establish its rights to live and continue in business. Let all interests have a representative on this commission.

5. In preference to the licensing system of control, let consideration be given to control taxation. If more economical distribution will obtain through the medium of the big packers his profits can thus be held to a reasonable basis.

6. If we must, license the handlers of meats and meat products.

Mr. YOUNG. You said the control came by a method of taxation. Take this very stockyards proposition, a $50,000,000 concern, as Mr. Williams states, and we are told that under the present concealed movements of whoever owns those institutions it is the finest way on earth to defeat income tax or any other tax, because you can not follow it up through the various methods of operation.

Mr. BROWN. I can see you are right.

Mr. YOUNG. That is the evidence before this committee, and I can see the basis of fact for that evidence.

Mr. ANDERSON. How would you reach the income of the stock yards company, a million and a half of whose capital was issued as a bonus for the establishment of a packing plant?

Mr. BROWN. I confess I could not answer that question, Mr. Congressman.

Mr. MCLAUGHLIN of Michigan. I have not seen that decree. I have heard it spoken of a number of times, and the only person I have talked with has a copy of it. It has been promised to be put into the record. But the only parties in that suit in which the decree was entered evidently agreed to get out of the stockyards altogether and give up the stockyards, and permit their sale or arrange for their sale some time or other in some way or other. It would look to me as if the parties to that decree, entering into that engagement, would disclose who owns and controls the stockyards. So that it would look to me as if the ownership of the stockyards had been disclosed.

Br. BROWN. I should think that decree would show that, Mr. McLaughlin.

Mr. TINCHER. Mr. Veeder is going to tell us about it some time. Some day he is going to testify about it. [Laughter.]

Mr. WILSON. I think the Attorney General is to come here and tell us about it.

Mr. TINCHER. Oh, he is dead.

Mr. YOUNG. I think it has been suggested by some gentleman here, perhaps some of the representatives of the Federal Trade Commission, with a viewpoint that these stockyards be looked upon in the nature of a railroad proposition, or freight transportation, and that they must have their freight stations or open yard, if freight will be permitted to be stored in open yards; in other words, that the stockyards is really part of the transportation end of the live stock business, and recommend that it be so considered and the railroads take over these live-stock yards. Have you any objection to that?

Mr. BROWN. Personally, I think nobody will ever show the interest in the handling of the live stock and handling of the stockyards, in getting the live stock into the stockyards, that the packers have shown in their handling the stockyards. I do not think any parties, if they buy the stock in these stockyards and put upon the market—Tom, Dick, and Harry—who have not any interest in the live-stock business or stockyards, if they are going to be the owners of the stockyards, God help us fellows who have to work in them.

Mr. YOUNG. You would prefer, then, if the ownership is to be changed, rather than to have private parties buy up the stock and own the yards as a corporation that it would be a part of the railroad systems of the country?

Mr. BROWN. I would not be entirely averse to seeing it part of the railroad system.

Mr. HEINEMANN. Might I suggest that there are only two large yards in the country which are owned and operated by the railroads, Detroit and Buffalo, and these people operating on these yards have repeatedly urged the packers to come in and acquire control of these yards, because they say they are not satisfied with present control.

Mr. MCLAUGHLIN of Michigan. Is not that always true?

Mr. HEINEMANN. Those are the only two yards in the country owned and controlled by railroads.

Mr. MCLAUGHLIN of Michigan. Does that cover time enough to represent Government operation as well as operation privately by the railroads, both?

Mr. HEINEMANN. Of the railroads?

Mr. MCLAUGHLIN of Michigan. Yes.

Mr. HEINEMANN. They were operated during the period of Federal control; yes, sir.

Mr. MCLAUGHLIN of Michigan. Does the objection raised to the treatment the shippers received relate only to the time of Government operation or as to previous operations?

Mr. HEINEMANN. It is of long years' standing and continuance.

Mr. BROWN. I will proceed, then, gentlemen.

If we must license the handlers of meats and meat products, let us by all means apply a rigid system of control of the retailer and limit his margin of profit in the same way. Unless this is done, the consumer can never hope to benefit from any regulation.

7. License control must also be extended to our great hotels, restaurants, and dining cars, since their motto is seemingly: "Cut down the portions and put up the prices." This suggestion is not intended in a facetious way, but in all seriousness.

I am convinced there is no need of regulation of this kind nor is ere any general demand for it. It is true that some organizations

have adopted resolutions favoring some form of control, but let us see how these came into existence.

Ordinarily some emmissary of the governmental bureaus seeking extended power will be found at such meetings. A resolution will be passed to the resolution committee and in due course will come out in their report mingled with numerous others.

Copies have not been passed around, but in a stereotyped manner a motion is made and seconded that the report of the committee be approved. Almost invariably this is done and the fact is immediately heralded broadcast that the association has indorsed such and such bills.

I would prefer a referendum vote on such an important matter. I am not ready to believe, after talking with hundreds of my own patrons, who without a single exception opposed the legislation, that the rank and file of the producers desire such bills as these enacted into law.

Mr. ANDERSON. May I ask you a question there, Mr. Brown?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. We have had a number of officers of these organizations before the committee, and a number of people who are opposed to the resolutions adopted, but not one of them, so far as I know, has testified that there were any Government men present at these meetings or that Government men made any suggestions with respect either to the form or substance of the resolutions adopted. Some of them said that there were commission men present and traders and speculators and everybody else present, packers included, having their say with respect to the resolutions, but not one of them testified that in any of these conventions or meetings were there any men representing the Government present who took any part whatever in the formulation of the resolutions adopted. I think it is a little unfair to charge the officials of the Government with fomenting and agitating and stirring up these resolutions.

Mr. BROWN. Have you ever attended any of those farmers' meetings?

Mr. ANDERSON. I have attended a great many of them.

Mr. BROWN. I do not know whether you have attended any the past two or three years, but there is hardly an important farmers' meeting in any of the States been held that there has not been some member of the Bureau of Markets present, and at many of them the Bureau of Markets man has made addresses to the farmers on what he thought should be done about different phases of the industry.

Mr. TINCHER. Has the Bureau of Markets taken a stand for this measure?

Mr. BROWN. They took a very pronounced stand in favor of the Kendrick-Kenyon bills.

Mr. TINCHER. You say the resolutions are prompted that way. Do you think that prompted the Texas Cattle Raisers' Association to adopt their resolutions last month which they adopted?

Mr. BROWN. I was not down there; I do not know how they did it.

Mr. TINCHER. And the Kansas Cattle Raisers' Association, you do not know anything about that?

Mr. BROWN. I do not know anything about that.

Mr. TINCHER. So your charges are not definite?

Mr. BROWN. No; but it is the general method of passing resolutions.

Mr. TINCHER. And you can not name a set of resolutions offered in evidence here that were prompted or influenced in the manner in which you charge.

Mr. BROWN. I have a resolution that I will submit to you in a moment that was not passed that way—was passed as specific resolutions. But I think you will admit that most of these resolutions have come out of resolution committees and are apparently cut and dried affairs. Somebody is the brains of the resolutions committee.

Mr. TINCHER. I think after we had all these hearings last summer, including your testimony which was given wide publicity, and Mr. Colver's testimony, which was given wide publicity, there was so much said about the Kenyon-Kendrick bill, I am going to presume unless some one shows me to the contrary, that the cattlemen of Spokane, the Cattle Raisers' Association of Texas, the Cattle Raisers' Association of Kansas, Missouri, Illinois, Iowa, and these other States, that have been before us, were not actuated by the Government employees in adopting their resolutions. If you know of some case to the contrary, I would be glad to hear of it.

Mr. BROWN. That is the general opinion that seems to be prevalent around the stockyards.

Unless we can be assured of more efficient and economical Government control than was the case with the railroads, telegraph, and telephone companies, neither the producer nor consumer can hope to benefit from such legislation. If any individual or commission can teach us a more efficient and economical method of handling this industry, let them by all means do so.

I am now going to make a suggestion to this committee which may or may not meet with its approval. I recommend to you, gentlemen, that before this committee reports out any legislation such as now being considered that a joint congressional committee composed of Members from both Houses of the Congress be appointed to hold a conference with not less than one nor more than five representatives of the following organizations:

American Farm Bureau Federation, J. R. Howard, president, Mount Clemens, Iowa, representing the farm bureaus. Agricultural Publishers' Association, 76 West Monroe Street, Chicago, Ill., representing the agricultural press of the country.

American Railroad Association, 431 South Dearborn Street, Chicago, Ill., representing the railroads of the country.

American Live Stock Association, T. W. Tomlinson, secretary, Denver, Colo., representing live stock associations in the western part of the United States.

Institute of American Meat Packers, Robert G. Gould, secretary, Old Colony Building, Chicago, Ill., representing large and small packers throughout the country.

American Association of Stock Yards, F. B. Edmonds, secretary, Union Stock Yards, Cincinnati, Ohio, representing the stockyards throughout the country.

National Federation of Cooperative Live Stock Shippers, Earl J. Tresper, organizing secretary, 906 Royal Insurance Building, Chicago, Ill., representing the cooperative live stock shipping associations throughout the United States.

National Live Stock Shippers' League, E. F. Keefer, secretary, Union Stock Yards, Chicago, Ill., representing the live stock shippers of the United States in railroad matters.

National Swine Growers' Association, R. J. Evans, president, Union Stock Yards, Chicago, Ill., representing the swine growers associations of the United States.

National Sheep and Wool Bureau, 29 South La Salle Street, Chicago, Ill., representing the sheep and wool interests in the eastern and southern parts of the United States.

National Wool Growers' Association, F. R. Marshall, secretary, Salt Lake City, Utah, representing the sheep growers in the western part of the United States.

Southern Cattlemen's Association, Dr. R. M. Gow, secretary, Little Rock, Ark., representing the cattle men in the 13 Southern States.

Southern Swine Growers' Association, Will M. Traer, secretary, Jacksonville, Fla., representing the swine growers of the South.

The National Live Stock Exchange, Everett C. Brown, president, Union Stock Yards, Chicago, Ill., representing the live stock commission merchants at the 27 public markets.

The National Live Stock Traders' Exchange, C. E. Day, secretary, Union Stock Yards, Chicago, Ill., representing the traders and orders buyers at the large markets.

The National Society of Record Associations, Wayne Dinsmore, secretary, Union Stock Yards, Chicago, Ill., representing the pure bred live stock breeding associations of the United States.

United States Department of Agriculture; E. T. Meredith, Secretary, Washington, D. C.

Such a representative conference would include every factor handling the stock from the producer to the retailer. If legislation of this character is necessary they should certainly be able to prove it.

By having all concerned present a suggestion to regulate some phase of the business would draw a response from the interests affected and prevent the enactment of some unjust measures.

I know from experience that it is much easier to take the ounce of "prevention" to head off adverse legislation than to obtain the pound of "cure" in the way of a repeal.

Mr. TINCHER. Do you not think if we had a conference composed of representatives of those organizations that you mention that we would have the same chance of adopting a unanimous report or getting unanimous recommendations as we would have to have a conference composed of the Democratic national committee or the Republican national committee?

Mr. YOUNG. There would not be any trouble in getting them to agree. [Laughter.]

Mr. TINCHER. I mean on the political issues.

Mr. BROWN. They might get together; yes.

Mr. TINCHER. We have had representatives of most of the organizations you mention before this committee.

Mr. BROWN. I think these people could get together the biggest men in each one of these organizations.

I might say that this suggestion about a conference was referred to the Illinois Live Stock Association at their annual convention held in Springfield, Ill., on February 27, and they unanimously approved it

lopting the following resolutions. This is the resolution, Mr. er, that comes from a live-stock association that is a part of the ican Farm Bureau [reading]:

lved, That the Illinois Live Stock Association is opposed to the governmental ion of the live stock and meat industry as proposed by the Kenyon-Kendrick nderson bills now before the Congress of the United States. We believe such ion is detrimental to the best interests of both producer and consumer and more harm than good. If evils exist, we believe the proper method of cor- them is by special laws forbidding defined practices, and that so great an ry should not be placed at the mercy of any commission such as proposed, would, in effect, have the power to enact its own laws and to punish infrac- hereof; and be it

lved further, That we urge upon the Congress of the United States that before gislation affecting our industry is enacted, that a joint committee of both houses gress call a conference of delegates representing the producers, shippers, rail- stock yards, commission men, traders and packers, in an effort to agree upon gislation found to be absolutely necessary and essential. Such agreed legisla- ould not contemplate the establishment of mere bureaucratic control, but merely actment of a minimum of specific laws.

ien follows comments by the secretary [reading]:

e above resolution was unanimously passed at the annual meeting of the Illinois Stock Association, held in Springfield, February 26 and 27, 1920.

association represents the live stock interests of our State, and we sincerely e that the above resolution expresses the judgment of a large majority of the tock interests in our State.

sting you will give this matter your earnest consideration, and hoping some icial legislation will be the outcome of a conference such as proposed, we beg to n,

Yours, very truly,

ILLINOIS LIVE STOCK ASSOCIATION,

_____,

Acting Secretary.

r. TINCHER. Were you present at that meeting, Mr. Brown.?

r. BROWN. I was not present the day the resolution was offered. y requested me to make an address on the marketing of live stock he day before, and I may say the psychology of your remark is ther I had anything to do with that resolution. I did not know resolution was to be presented or carried or brought before the mittee.

[r. ANDERSON. Who adopted this resolution—was it the conven- of the whole association, or what?

[r. BROWN. It was an annual convention of the Live Stock Shipper ociation, at Springfield, Ill.

[r. TINCHER. The Shipper's Association?

[r. BROWN. Yes, sir; they are producers also.

[r. ANDERSON. It was a resolution of the officers or directors?

[r. BROWN. No, sir.

[r. ANDERSON. It was adopted at a meeting of the entire associa- ?

Ir. BROWN. You all know who are the men there, probably, on resolutions committee. One was John Imboden, and another Eugene Funk. I think all of you gentlemen know Mr. Funk, he quite active during the war both on the live stock committee and the grain committee.

Ir. HEINEMANN. May I explain right there that this association d its final annual convention just before it disorganized to become part of the Illinois Agricultural Association; that the Illinois ricultural Association had previously committed itself to legisla-

tion of this character and the members in discussing the necessity or nonnecessity of such a resolution had said in effect, "Before we finally abandon our old organization, let the live-stock producers of Illinois express themselves in no uncertain terms, so that the organizations with which we affiliate will know our views, and that we are unalterably opposed, just as we have been on previous occasions, to the enactment of this legislation." And with that view in mind, the resolutions committee was directed by its president to agree upon a resolution, and this is the outcome of it, which was reported to the convention and it was, as the report indicates, unanimously adopted by the convention of live-stock producers.

I mention that so as to explain the difference of opinion between the live-stock producers of Illinois in regard to the effect of this legislation and the opinion expressed by Mr. Leonard, the very able president of the Illinois Agricultural Association, who approves, in a measure, the legislation of this character.

The CHAIRMAN. Is he the gentleman who appeared before the committee?

Mr. BROWN. This is Howard Leonard, of Illinois.

Mr. HEINEMANN. The usual method was followed in adopting these resolutions.

Mr. BROWN. The resolutions committee in this case was organized or was named by the president and handed in two resolutions. One was the disorganizing resolution and the other was this resolution.

Mr. ANDERSON. I gather from what you say it makes a difference whose hog is hooked.

Mr. BROWN. I do not think so. I have been on several resolution committees. I think that is the usual way of putting over that kind of stuff.

Mr. TINCHER. This is a cattle shipper's association?

Mr. BROWN. It is a live stock producers' organization.

Mr. TINCHER. And it was about to be swallowed by the State organization?

Mr. BROWN. Voluntarily.

Mr. TINCHER. And the State organization was for the legislation?

Mr. BROWN. The Illinois Agricultural Association.

Mr. TINCHER. So, just before being swallowed, they thought they would raise a little holler?

Mr. BROWN. This was not a local shipper's association. They included live-stock producers and shippers of the State of Illinois, which I believe, is second in importanec in the United States.

Mr. MCLAUGHLIN of Nebraska. How large a membership has that association?

Mr. BROWN. I do not know the membership, but it covered the entire State.

Mr. MCLAUGHLIN of Nebraska. Do you know anything about the attendance at the time this resolution was adopted?

Mr. BROWN. At the time the resolution was adopted between 100 and 200.

The CHAIRMAN. I understand you refer to the farm bureau. Mr. Leonard appeared here representing the farm bureau.

Mr. BROWN. In Illinois there is no farm bureau, but the Agricultural Association of the State of Illinois, which is synonymous with the farm bureau in Iowa and other States.

Mr. TINCHER. Mr. Leonard spoke for the agricultural association, but explained that he was authorized by the national president of the farm bureau to speak for the farm bureau.

The CHAIRMAN. Was Mr. Leonard present at the meeting?

Mr. BROWN. Mr. Leonard was not present. The secretary of the national association, Mr. Dale Thompson, was present at the meeting.

The CHAIRMAN. Of the one he is connected with and represents?

Mr. BROWN. Dale Thompson is president of the American Farm Bureau Association.

The CHAIRMAN. Is he the president?

Mr. HEINEMANN. He is the president of the Illinois Agricultural Association. Mr. Howard, of Iowa, is the president of the national association.

The CHAIRMAN. Mr. Leonard?

Mr. HEINEMANN. Mr. Leonard is and has been since election in January, at Peoria, president of the Illinois Agricultural Association, which includes not only live-stock producers but the grain farmers and farmers of every character and kind in the State. He has had no connection with the Illinois Live Stock Association as an officer. The president of the association as disorganized was John Imbeden, of Decatur. Mr. Imbeden appeared over in the Senate committee in opposition to the Kenyon-Kendrick bills, and he was the last president of the Illinois association before it was disorganized.

The CHAIRMAN. Then Leonard or his association had nothing to do with this resolution?

Mr. HEINEMANN. That is true. Mr. Leonard's association had nothing whatever to do with this.

Mr. BROWN. I view the proposed change from the license system the registration as camouflage of the poorest type. In this case e "rose" by another name exhales the same effluvium.

If publicity is the remedy sought in the case of the commission siness, I am sure we have no objection in the world to a provision ereby our books and records might be periodically audited and utinized. If anything wrong is detected, we have, in our live- ck exchanges the best possible means of punishing the evildoer. This machinery is available to our patrons at all times and without t, and I can assure you that no political favoritism will be shown culprit found guilty on charges preferred against him. Our rec- stands above reproach, and this accounts for the high standard intained in our organizations.

n closing I wish to say that if anybody wishes to ask me any her questions, I will be glad to answer them.

r. VOIGT. I want to ask you, Mr. Brown, where does the Stock ds Co. get its revenue? I never have clearly understood that.

r. BROWN. In the main, they get their revenue from the yardage ge on cattle and hogs, sheep and horses—a yardage fee that is ged.

r. VOIGT. Is it a per capita tax or fee levied on each animal that es into the yard?

r. BROWN. Yes, each animal.

r. VOIGT. And you pay rent for the pens that you have there?

r. BROWN. No, sir; we pay no rent. The man who owns the stock pays for the yardage charge, which is considered charge gh, and the stockyards company delegates to the 87 different

commission firms which I mentioned before certain sections of the yard, where they yard their live stock, but the producer and owner of the live stock is the man who pays for the use of these pens—he pays a yardage charge.

Mr. VOIGT. What is the yardage charge; I suppose it is collected by the day?

Mr. BROWN. It is collected, for instance, as the live stock is counted out of the car into the chute; it is counted from the chute and delivered to the commission men, and the count establishes the number of heads in the car, and the yardage fee is charged per head.

Mr. VOIGT. What is the yardage fee per day on a hog?

Mr. BROWN. You mean per hog? 10 cents per head.

Mr. RYAN. Not by the day?

Mr. BROWN. No; that animal can stay there indefinitely; it could stay there a year, if they wanted to keep it there that long. There is only one charge, that is, in Chicago. I understand they changed that method in the State Board of St. Paul, charging so much per day.

Mr. VOIGT. Does the commission attent to the collection of this yardage fee?

Mr. BROWN. The stock yards presents a bill to the commission man, which includes the freight on the car, the yardage and the feed charges, and that in turn is charged to the owner of the live stock who has consigned it to the commission man.

Mr. VOIGT. The feed is also handled by the stockyard company: they make the charge and furnish feed?

Mr. BROWN. They charge so much per hundred pounds for hay and so much per bushel for corn.

Mr. VOIGT. And who does the actual feeding, an employee of the commission firm or an employee of the stockyards?

Mr. BROWN. In Chicago, the actual work is done by the stockyards or by an employee of the stockyard company.

Mr. ANDERSON. Mr. Brown, is the exchange an incorporated body?

Mr. BROWN. Yes; not for profit, however.

Mr. ANDERSON. Incorporated under the laws of the State of Illinois?

Mr. BROWN. Yes, sir; that is so as to Chicago; in East St. Louis it is the State of Illinois.

Mr. ANDERSON. How is the membership in an exchange obtained?

Mr. BROWN. An applicant for membership will file an application, which, in turn, is passed upon by the membership committee; that in turn is reported to the board of directors favorably or unfavorably, and the man is selected or rejected.

Mr. ANDERSON. Would you mind filing a copy of your articles of incorporation with your testimony?

Mr. BROWN. Of the Chicago Exchange?

Mr. ANDERSON. Yes.

Mr. BROWN. Yes, sir. Mr. Stafford is our president.

Mr. STAFFORD. Would you like to have it sent here?

Mr. ANDERSON. I would like to have it incorporated in the record, as it would be valuable to everybody.

Mr. VOIGT. I find in Part II, the report of the Federal Trade Commission, on pages 94 and 95, a protest which was signed by 74 commission firms of Chicago, dated April 11, 1916, addressed to the packers, in which the commission firms complain about the practice

of the packers in getting into the market late in the day. Did your firm sign that protest?

Mr. BROWN. I would not know without seeing the paper, that is so long ago. Does it mention the names of the firms who signed it?

Mr. VOIGT. No; it does not. It says here that the protest was signed by 74 of the 86 commission firms at Chicago.

Mr. BROWN. I might have signed it, but I do not remember.

Mr. VOIGT. Well, you felt that that was a bad business practice on the part of the packers?

Mr. BROWN. There have been times I have felt that way; yes, sir. I have felt that some of their tactics in trying to break the market and trying to perhaps reduce prices would be subject to criticism. I do not know whether there is anything dishonest about the proposition, but when you have 15 to 20 customers who are clamoring to have their stock sold and there are no buyers anywhere from 12 to 2 o'clock in the afternoon, it commences to get under your skin a little.

Mr. VOIGT. Since 1916 have the packers indulged in that practice?

Mr. BROWN. Well, I have seen them delay buying within the last year and not buy until they got ready.

Mr. YOUNG. Did all of them get out of the market at the same time?

Mr. BROWN. Oh, no; generally they all start at the trading hours, say 9 o'clock in the morning; they are most of them in the market at that time. But there are times when perhaps Armour will lay out of the market for a whole day Armour buys a lot of stock outside of Chicago; for instance, he buys 3,000 or 4,000 hogs at Nashville, and he gets enough in from other markets and perhaps he will not buy hogs in Chicago at all. I think they are generally in the market on cattle every day.

Mr. YOUNG. I was just wondering, and that resolution called it to my attention, if the association of commission men adopted a resolution like that, and whether that condition could happen unless these packers understood each other and agreed with each other to stay out of the market for a certain purpose.

Mr. BROWN. At the present time ——

Mr. YOUNG (interposing). Incidentally, it does not look like they would all get out of the market at the same time unless some collusion existed.

Mr. BROWN. At the present time I do not think any of the packers care very much whether they buy cattle or hogs. They have been doing their business the last few years, the most profitable part of their business, in the export line. The condition of foreign exchange now is such that the exporting of meats and meat foods is practically prohibited, and several of the big packers have laid out sometimes two or three days a week. They claim that every animal they are packing now is done at a loss of money, and I think their exports could show you that is the case.

The CHAIRMAN. Mr. Rainey, have you other witnesses here who wish to leave this evening?

Mr. RAINEY. I have.

Mr. ANDERSON. You spoke in your statement before the Senate committee, and I think you referred to the same thing here, the exchange rules which you have for the conduct of the commission men?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. Are those rules included in the by-laws?

Mr. BROWN. I think they are.

Mr. STAFFORD. I will be glad to send you a copy of that. I have a copy, but I have a lot of other things in it. I will send you a copy just as soon as I get home. That covers the by-laws and all the rules pertaining to the conduct of all commission men.

Mr. ANDERSON. A man can not sell on commission unless he is a member of the exchange?

Mr. BROWN. Yes, sir; he can.

Mr. ANDERSON. Does the exchange or the members of the exchange make any contract with the stockyards by which they bind themselves to observe certain rules which the stockyards company lays down?

Mr. BROWN. No. I do not know of the stockyards company having any rules. Each commission concern is required to give a bond covering the amounts that accumulate semiweekly on freight, yardage, and feed charges, so that that bond covers any probable liability to the stockyard company.

Mr. ANDERSON. My recollection is that at the stockyards, in addition to the bond to which you refer, there is a contract under which the commission man agrees to comply with certain rules with respect to the disposition of deads and cripples and one thing and another of that sort. Do the commission men on the Chicago stockyards make any such contracts?

Mr. BROWN. No, sir.

Mr. ANDERSON. They have no contracts at all with the stockyards company?

Mr. BROWN. No, sir.

Mr. ANDERSON. And the exchange has no contract with the stockyards company?

Mr. BROWN. No, sir.

Mr. ANDERSON. You referred to a traders' exchange?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. Is that an incorporated exchange?

Mr. BROWN. I think it is, also, not for profit.

Mr. ANDERSON. Incorporated in the same way as the live-stock exchange?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. In general, what is the difference and why are the two exchanges incorporated separately?

Mr. BROWN. Well, the traders exchange is peculiarly a buying exchange—that is, all the members of the traders' exchange are buyers, and practically all of the members—I will not say "practically all"—but I should think 95 per cent of the members of the Chicago Live Stock Exchange and other permanent exchanges are sellers.

Mr. ANDERSON. You said that a man could sell on a stockyards as a commission merchant without being a member of the exchange?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. Are there any such?

Mr. BROWN. Yes, sir; there is one such concern in Chicago.

Mr. ANDERSON. Who is it?

Mr. BROWN. The Cooperative Equity Live Stock Exchange.

Mr. ANDERSON. Has that firm made application for admission to the exchange?

Mr. BROWN. No; they have not—that concern has not.

Mr. ANDERSON. Has the exchange ever refused to admit a co-operative concern?

Mr. BROWN. No; I do not think we have ever refused. There have been two or three cooperative concerns that started to apply to be members of the exchange, and then found that they could not conform to our rules.

Mr. ANDERSON. That is, they were advised that they could not conform to the requirements that they must have; that they must have certain financial responsibility?

Mr. BROWN. No; they wanted to join as corporations, as organizations, whereas membership in our exchange is as an individual.

Mr. ANDERSON. I want to be sure I am right about this: In Chicago, then, the members of the exchange are the individual members of the commission firms?

Mr. BROWN. Yes, sir.

Mr. ANDERSON. You do not admit corporations or cooperative societies, as such, as members of the exchange?

Mr. BROWN. No. We have about 550 members in the Chicago exchange. They are all individuals.

Mr. ANDERSON. Outside of this one firm, to which you refer, you do not know of any firm or person engaged in the business of selling stock on commission which is not a member of the exchange?

Mr. BROWN. Not in Chicago; no, sir.

Mr. ANDERSON. So that while it is technically true that a man can engage in the stockyards in the commission business without being a member of the exchange, as a practical proposition, he can not?

Mr. BROWN. Why, yes, if you are a mind to term it that way. I think that a large percentage wants to belong to the exchange. They consider it is to their advantage. They can go to producers and say that the rules that the live-stock exchange imposes upon its members is against a concern having no rules, nothing mandatory against it, in the way of rules and by-laws of an organization of that kind." For instance, such an organization—I am not saying that they do—could commit any kind of practices whereas if they committed it as members of the exchange they would be expelled; not having membership in the exchange they can do anything they want to.

Mr. ANDERSON. That is exactly what I am trying to get at. The purpose of the formation of the exchange is to establish a sort of system of self-government which will give confidence to the producer that when he ships his stock it will be sold to the best advantage and that he will get his money.

Mr. BROWN. I think that you have outlined that very correctly, Congressman.

Mr. ANDERSON. Do you think there would be objection to such supervision, for instance, on the part of the Government of the by-laws or rules of the exchange as such, as exists in Canada?

Mr. BROWN. I do not know what the Government regulatory fees are there. As I stated, on this particular point, they require commission firms to belong to an exchange. On that point I can see any objection to the Government requiring that, if the concern comply with the rules of the exchange.

Mr. ANDERSON. If it is a good thing for the exchange to have rules for the conduct of its members, and for the preservation of its own reputation, what is the objection to reasonable regulation by the Government for the same purpose?

Mr. BROWN. I do not think—I know that during the war we did not have any objection to the Bureau of Markets auditing our accounts. I do not think on that particular point we would have any objection now.

However, there is the point I made before the Senate committee: Why is it that all of this legislation is directed against the live-stock industry? There are all kinds of industries all over America. We do not hear anything about these regulatory features being placed on other industries. Why are we always picked out as the people to control and restrict and regulate?

Mr. ANDERSON. I think so far as the Big Five are concerned, the desire for regulation is based upon the combination that it is admitted has been in that industry for long periods of time, and which seems to reflect itself into the present.

And, as to the exchanges, I think it is assumed by those in favor of this legislation that the exchange has the aspect of a public utility.

Mr. BROWN. Unless the New York Stock Exchange is a public utility and the Chicago Board of Trade and the Coffee Exchange, and any other exchange handling a food commodity, why should you consider us as a public utility?

Mr. ANDERSON. I am not so sure——

Mr. BROWN (interposing). We are not operating for profit at all.

Mr. ANDERSON (continuing). That there ought not to be some regulation of some of those other exchanges.

Mr. BROWN. They seem to be immune, for some reason or other.

Mr. ANDERSON. That might be said also of the live-stock exchanges up to this time.

Mr. YOUNG. We have tried to regulate some cotton exchanges a few times and have had a hard time getting anywhere with it.

Mr. ANDERSON. You do not think that regulation has hurt the cotton exchanges any? It certainly has not hurt the producer any.

Mr. YOUNG. I think it has been of some benefit to the producer.

Mr. MCLAUGHLIN of Michigan. Many of the commission men are organized into partnership and corporations, I presume?

Mr. BROWN. Yes, sir.

Mr. MCLAUGHLIN of Michigan. But the membership in the association of which you are president is individual?

Mr. BROWN. Yes, sir; the membership of the Chicago Live Stock Exchange is individual.

Mr. MCLAUGHLIN of Michigan. Does any stockholder in the company or any member of a partnership become a member of your association?

Mr. BROWN. Yes, sir; if he passes our membership committee.

Mr. MCLAUGHLIN of Michigan. Then the commission corporation or the commission partnership is not, as an entity, a member of your association?

Mr. BROWN. It is not; no, sir.

Mr. MCLAUGHLIN of Michigan. Then, how do you reach the activities of the association or partnership if you wish to do so—I mean, how does your association do that?

Mr. BROWN. You mean as to discipline or regulatory features?

Mr. McLAUGHLIN of Michigan. Yes.

Mr. BROWN. Well, in the instance of the concern that has been referred to many times during the hearings on the Kenyon-Kendrick bill and on this bill we cite each member of the concern.

Mr. McLAUGHLIN of Michigan. Was it a corporation or partnership?

Mr. BROWN. It was a corporation. We cited all of the officers and stockholders.

Mr. ANDERSON. I thought you said a corporation could not be a member of the exchange. Of course, you did say that. But I did not understand from what you said that the officers or directors of a corporation could be members of the exchange.

Mr. BROWN. The officers; that is, the stockholders—the stockholders, of course, elect their own officers and their own organizations—but the stockholders must be members of the exchange.

Mr. ANDERSON. Then what distinction do you make in your case between a corporation and a cooperative association?

Mr. BROWN. There are probably not as many stockholders in a corporation as there are in one of these equity concerns.

Mr. ANDERSON. There might be ten times as many, too.

Mr. BROWN. There does not happen to be.

Mr. ANDERSON. Then you are making a distinction which is mere camouflage.

Mr. BROWN. We have made rules according to which all stockholders in the commission corporation must be members of the exchange.

Mr. TINCHER. What is a membership of the exchange worth?

Mr. BROWN. I think our memberships now are worth a little under $2,000—around $1,800, the last I knew.

Mr. TINCHER. A man to get in there to buy has to get a membership and they are not issuing new memberships?

Mr. BROWN. There is a provision in our by-laws that if the price reaches $2,500 new memberships may be issued.

Mr. McLAUGHLIN of Michigan. Will you kindly continue in the answer to my question: How do you reach the corporation, if they have transgressed any rules or have been subject to discipline?

Mr. BROWN. By citing the stockholder members.

Mr. McLAUGHLIN of Michigan. And under your rules each stockholder must be a member?

Mr. BROWN. Yes, sir.

Mr. McLAUGHLIN of Michigan. You cite them all?

Mr. BROWN. Yes, sir; that is the way we did in this instance, the only instance I know of.

Mr. ANDERSON. How long have you had this rule with respect to requiring every stockholder of a corporation to be a member of the exchange?

Mr. BROWN. I think it has been since its organization, but I would not be absolutely positive on that without referring back to the original charter and by-laws.

Mr. ANDERSON. What is the disciplinary machinery which you have by which you can expel a member or discipline him for violation of the rules?

Mr. BROWN. A charge is preferred either by some lay member or by the board of directors.

Mr. ANDERSON. Let me ask you there, can a charge be preferred by any one who is not a member of the exchange?

Mr. BROWN. Yes, sir. A customer of any commission firm could prefer a charge, and we try to investigate every charge of that kind. After the charge is made, it reaches what we call the prosecuting committee. The prosecuting committee investigates the charge to see whether it should involve a trial before the board of directors of the exchange. If they decide that it should be, the person charged comes before the board of directors for disciplinary measures. If they decide he should not be disciplined, the charge is quashed.

Mr. ANDERSON. The whole basis of that proceeding, I take it, is that the member of the exchange has contractual relations with the exchange, which the exchange itself can terminate at any time?

Mr. BROWN. Yes, sir; and it resembles a good deal of a club, Mr. Congressman.

Mr. ANDERSON. I have here a copy of an order of direction issued by the board of directors of the Live Stock Exchange of Chicago, on the 25th day of June, 1918, addressed to members of the Chicago Live Stock Exchange, Chicago. [Reading:]

THE CHICAGO LIVE STOCK EXCHANGE,
UNION STOCK YARDS,
Chicago, Ill., June 25, 1918.

To members of the Chicago Live Stock Exchange:

In view of the proposed licensing of commission merchants under the proclamation of the President of the United States and the probability that licensees will not be permitted to take advantage of any assistance from so-called crippled-hog traders, scalpers, or "followers," the board of directors of this exchange has this day caused to be issued this notice, taking effect July 1, 1918, that on and after that date commission merchants shall yard all stock from the trains, feed, water, and weigh same by their own employees, and that no service whatever shall be given or rendered by any person not on the pay roll of a commission concern.

By order of the board of directors of the Chicago Live Stock Exchange this 25th day of June, 1918.

E. M. HUGHES, *Secretary*.

I assume that that rule or direction is made for the purpose of putting some practice to an end. Would you say what the purpose of it was, what the practice was it was aimed at?

Mr. BROWN. I do not think that there was anything criminal in the handling of these crippled hogs by the so-called "tail-end" buyer, or crippled-hog buyer on commission, but there has been some criticisms made by producers which indicated that they thought that the commission man might sell the hogs cheaper to this crippled-hog buyer who has helped in the weighing or delivering or yarding of any of this stuff; and they thought that rather than have any criticism in any shape, matter, or form on any of our methods of handling stock that we would do away with that feature entirely.

Mr. ANDERSON. That is, the producer or shipper suspected that the followers or tail-end buyers or scalpers, whatever they are called, were paid by the commission men for the assistance which they gave them in the yarding of stock through sales made at less than the market price?

Mr. BROWN. I presume that was thought by some, I do not think by very many, people; but it was brought to the attention of our board, and we thought we would not leave any chance for any inference of that kind.

Mr. ANDERSON. I notice in your statement before the Senate committee that you said you were a member of the so-called price stabilization or control committee which fixed the price on hogs at $17.50.

Mr. BROWN. Yes, sir.

Mr. ANDERSON. May I ask what the basis of that figure was?

Mr. BROWN. It was the basis that was arrived at in a gathering that was brought about by the Food Administrator, Mr. Hoover, to which he invited the packers, and invited his live-stock committee, and after three days' conference they arrived at this price as the fair figure, what they would consider would remunerate the producer for the corn that had already been fed and would be fed those hogs during that period.

Mr. ANDERSON. Was that on the basis of the ratio of 13 to 1?

Mr. BROWN. No; that was not figured at that time. I think everybody had practically abandoned that ratio figure, although some of the producers thought that should be still maintained.

Mr. ANDERSON. If that had been maintained, if that ratio had been taken, the price would have been higher than $17.50, would it not?

Mr. BROWN. I do not remember what the price of corn was at that time, but my recollection is that it would have been higher.

Mr. ANDERSON. You say in your statement that the price agreement saved the producers of the United States $200,000,000. I do not know what you base that on, but it is a fact that when that price agreement was terminated the price of hogs went up.

Mr. BROWN. Yes, sir. If you will permit me to say one word, Mr. Anderson——

Mr. ANDERSON. Surely.

Mr. BROWN. That price was established first in September, and because the selling interests were not hooked up by the Food Administration the price broke through and went from $17.50 down to nearly $12, and in view of the enormous receipts of hogs at all markets that winter nearly everybody in the State admitted that the hog crop, if there had not been the price stabilization of the market, would have been marketed at $12 or $14; where it was marketed it was marketed at $17.50.

Mr. ANDERSON. Your basis for this $200,000,000 statement, then, I take it, is the opinion—because it can not be more than that, I suppose—that with the very large receipts of hogs which followed upon the making of this price by the Stabilization Committee, the price of hogs would have fallen below the price fixed.

Mr. BROWN. Oh, yes, sir; I think that the price of hogs—I feel that I am an expert in that line—would have remained around $12 that winter.

Mr. ANDERSON. Do you not think at the same time that along towards the end of the period, when the agreement terminated, that that price had a tendency to hold the price of hogs down rather than maintain it?

Mr. BROWN. The very heavy receipts of hogs, Mr. Anderson, that winter continued right through past the middle of March, and there was no disposition, apparently, on the part of outside buyers to run the price above the price paid by the Chicago packers. For instance, the eastern shipper could have come in there and run that

price up over $17.50 at any time; and, in fact, toward the end of the month the price was run away above the stabilized price.

The CHAIRMAN. Mr. Brown, is it not true that the ratio of 13 to 1 was agreed upon for hogs?

Mr. BROWN. No, sir; it was not.

The CHAIRMAN. By the producers' committee that were invited here for that purpose?

Mr. BROWN. The producers' committee, I think, agreed upon that as a fair basis, did they not, Mr. Morrison?

Mr. MORRISON. That was Mr. Cotton's scheme, to begin with, and it was put in operation and they tried to carry it out and failed, as it would not hold. But it was the Food Administration's own initiative and was put in operation by the Food Administration. However, it broke through, as Mr. Brown said, and could not be maintained; and then the producers met again and agreed upon $17.50 as a basis of price on hogs on the Chicago market, and as a basis of prices of the products under the Food Administration's control of war prices.

The CHAIRMAN. Mr. Brown, I am very grateful to you.

Mr. BROWN. I am very obliged to the committee.

Mr. RAINEY. Please give your name and address to the stenographer.

STATEMENT OF MR. THOMAS W. JERREMS, CHAIRMAN LEGISLATIVE COMMITTEE, THE CHICAGO LIVE STOCK EXCHANGE, 173 EXCHANGE BUILDING, UNION STOCK YARDS, CHICAGO, ILL.

Mr. JERREMS. My name is Thomas W. Jerrems, and my address is 173 Exchange Building, Union Stock Yards, Chicago, Ill.

Mr. ANDERSON. What is your business, Mr. Jerrems?

Mr. JERREMS. I am a live-stock commission salesman.

Mr. ANDERSON. Are you a member of a corporation, the president of the Standard Live Stock Commission House?

Mr. JERREMS. My statement is made as chairman of one of the committees of the Chicago Live Stock Exchange, and is approved by Mr. Stafford, who is president of the Chicago Live Stock Exchange, and we two were directed by the directors of the Chicago Live Stock Exchange to appear in opposition to the legislation.

In appearing in opposition to the Anderson bill, H. R. 6492, as amended to conform to the bill which Mr. Gronna reported from the Senate Committee on Agriculture and Forestry, we will outline what appears to the Chicago Live Stock Exchange to be harmful and which will in its operation defeat one of the important objects sought to accomplish, viz, "to stimulate the production of live stock."

The statement of Mr. Everett C. Brown, president of the National Live Stock Exchange, fully covers what and who are live-stock exchanges, what authority they possess and exercise for the protection of producers in the handling of live stock at market centers. It is not the desire of the Chicago Live Stock Exchange to hinder the enactment of any needed constructive legislation, but we are constrained to present our objections to this pending legislation because of its effect upon the producer and upon production and to submit for your consideration a few remedial provisions not apparently covered.

Unlike any other, the live-stock industry, particularly production, is sentimentally susceptible to restrictions placed upon its market at any point, prior to sale and delivery or thereafter and restraint such as is proposed in this bill will deter rather than encourage the preparation of food animals.

Restrictions as provided will cause live-stock feeders to abandon their already too hazardous operations. Such an eminent authority as Mr. Herbert C. Hoover recently said that "The economic value to the farmer of having a daily national price created by the ebb and flow of absolutely untrammelled trade in central markets has never been fully appreciated." Among producers numerous organizations function to attain various objects, but hundreds of thousands of farmers and live-stock producers do not belong to any organization and rely upon their personal representative at the central markets for protection against inimical laws and regulations.

Two sides are evident on every question, including this one—both sides must be considered and those representing each side identified and a dividing line established. In "live stock" the title to it at market centers passes from the seller to the buyer at the scales, and until weighed it is in the hands of the producer and under his direct control. Those who conduct the sales are the producers' agents or personal representatives, and you can not differentiate between them, and they with the producer are the principal elements on one side of this question.

The "stockyards" is merely the channel through which the preparation (feeding and watering), the sale, and the delivery are made. All other important elements are on the buying, manufacturing, and distributive side.

It may appear presumptive on our part to come here and tell you things about legislation. You know a great deal more about that than we do, but in reading the proposed legislation these are some of the things that occurred to us. So, specifically, let us refer to the text of the bill. The title, "To create a Federal Live Stock Commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes," is too vague, and the words "and for other purposes" taken in connection with the authority thereinafter provided, that the "commission is created to administer and enforce the provisions of this act and such rules and regulations as may be issued thereunder," may be construed to mean almost any action that the commission may later desire to take.

Mr. ANDERSON. Will you permit me to ask you a question there?

Mr. JERREMS. Certainly.

Mr. ANDERSON. I think you are in error in what you have just stated, because it is generally admitted as principle of law with reference to Federal legislation, I think, that it would be effective without any title at all, and that the title neither confers any power nor has any effect whatever in respect to the legislation.

Mr. JERREMS. Section 2, page 2, lines 14 and 15, defines the term "live stock" to mean "live or dead cattle, sheep, swine, horses, mules, or goats." No provision is made, however, for the disposition and removal of dead animals.

Section 2, page 2, lines 19 to 23, defines the term "stockyards" to mean any place in which "live stock is received, held, or kept for

sale, feeding, watering, or shipment." This would place every stockyard at country stations under the provisions of this act.

Page 2, line 25, do the words "or preparing live-stock products for sale" mean the retail butcher? If it does, this would seem a lead in the direction of continuing control over the products until it is actually placed in the hands of the consumer. If not, there is a wide gap in the movement of "live-stock products," between the packer and the consumer, not under the paternal control of the commission.

Page 3, lines 3 to 7, defines the term "operator" to mean "any person performing services in commerce with respect to live stock handled on a commission basis in or in connection with a stockyard." Inasmuch as that identifies the producers' agent it thereby makes his principal, the producer, responsible for and bound by his agent's action. We contend that the producer or his agent should be permitted to handle the production and sale of live stock as the producer may direct. This will control the producer or shipper who loads the stock in commerce. The producer who wants to sell his own stock would be controlled by this act.

The producer and commission man are so clearly related, and the commission man so clearly a personal agent of the producer, that we can not be hampered unless it will react against the producer I contend the commission man should be excluded from such a control just as was recently done in the case of the Kansas law.

Section 3: No provision made that the appointees upon this commission shall have had practical experience in production, shipping, stockyards management, selling on commission, trading, eastern shipping, packing and distributing the products, in order that they may be prepared to not injure such a sensitive and intricate industry. The live-stock industry is the greatest in the country in point of value of products; greater by far than the railroads, yet the railroads are controlled by nine commissioners, while but three will have control of this vast and intricate industry with all its technical ramifications.

Section 4: No one who is experienced in all phases of the live-stock industry could be employed for the designated salary of $10,000 per year.

Mr. HEINEMANN. What is your general observation of these expert men who are employed in the Government departments after they have acquired proficiency? Do they stay there?

Mr. JERREMS. They do not. They are immediately taken by some industrial plant which has use for experienced men and gives positions at greatly increased prices as salaries, so that we are left with the mediocre or lower grade appointees.

Mr. ANDERSON. I am very much surprised, in view of what has been said of Government employees and Government officers generally that any private concern could ever find anybody connected with the Government sufficiently proficient or sufficiently efficient that they would want to pay them any salary at all for doing anything. [Laughter.]

Mr. JERREMS. Section 10: Might be ambiguously interpreted.

Mr. ANDERSON. I am really very much pleased that there might possibly be a case where some man employed by the Government might achieve sufficient efficiency to be employed by a private concern.

Mr. RAINEY. My observation is the Government neglects to provide salaries adequate to hold their employees. Mr. Anderson knows, as a member of this committee, that admissions have been made here quite frequently by the Department of Agriculture that their best men have been taken away. It has been shown since I have been a member of this committee that the most capable men have been taken away at greatly increased salaries and the most recent employee who left the Department of Agriculture, I think, was the gentleman in charge of the Bureau of Markets.

Mr. ANDERSON. I did know that, Mr. Rainey, and therefore I was the more perplexed to understand what the basis of this constant reiteration of inefficiency of Government employees was.

Mr. HEINEMANN. The trouble is that our friend Brand learned to handle apples so well while he was handling live stock that he went out of the live-stock business into the apple business.

Mr. JERREMS. Section 10 might be ambiguously interpreted. The power to make regulations and orders should be restricted to such as strictly comply with the letter and spirit of this act and not merely for the purpose of carrying out the provisions of the act and the words "or with any person" should be stricken out.

Mr. ANDERSON. I do not have a copy of the bill you refer to before me, but I would like to say in that connection that you are discussing the Senate bill which is before this committee only incidentally.

Mr. JERREMS. Yes, sir.

Mr. ANDERSON. But my impression is that that has reference to charges for yardage, feed, etc., upon stockyards.

Mr. JERREMS. Section 14, that is.

Mr. ANDERSON. Charges upon stockyards and does not have any reference to the prices of cattle or stock sold upon the stockyards.

Mr. HEINEMANN. It refers to the operator.

Mr. JERREMS. It refers to the operator, and it says he shall not charge any unreasonable price.

Mr. ANDERSON. That means any unreasonable price for yardage, I assume.

Mr. HEINEMANN. That is a rate.

Mr. ANDERSON. I know; it is also a price. This does not relate to anybody except an operator in the stockyards, and the only thing he has to sell is service.

Mr. JERREMS. Then, "operator" has been defined previously to that as a commission man.

Mr. ANDERSON. I am at somewhat disadvantage discussing this bill, or the relation of one section to another, not having the bill before me.

Mr. HEINEMANN. I might say that that original clause was in the Senate bill, and I am sure Senator Kendrick, when his attention was called to it, said, "We certainly do not want to give an opportunity for price-fixing, and that shall be corrected."

Mr. ANDERSON. The gentleman who drew this language is supposed to be a draftsman of some reputation, and I will not undertake to construe it, but it is my impression that the definition of the term "operator" as it appears in all the bills is not intended to cover any one except the owner or operator of a stockyard.

The CHAIRMAN. On page 3 a definition is given of "operator." It states, "The term 'operator' means any person engaged in the

business of conducting or operating a stockyard in which live stock is handled in commerce, or of performing services * * * on a commission basis in or in connection with a stockyard."

Mr. ANDERSON. The question is whether that last clause after the word "or" describes the commission man or not.

Mr. JERREMS. Being subject to an indefinite interpretation here, it might naturally be subject to an indefinite interpretation before the Live Stock Commission.

Mr. ANDERSON. I want to say in this connection that I think your criticisms are constructive, and so far as I am concerned I welcome them, and I think the committee does.

Mr. VOIGT. Just a moment before you leave that. You seem to think section 14 of the bill reported by the Senate committee would give some authority to fix the price of live stock?

Mr. JERREMS. Undoubtedly.

Mr. VOIGT. I can not see that. In the title of one of these proposed bills the term "operator" is defined to mean any person engaged in the business of conducting or operating a stockyard in which live stock is handled in commerce. That is, the word "operator" means the man who runs or operates a stockyard.

Mr. JERREMS. That is true as far as that goes.

Mr. HEINEMANN. Read further in that sentence.

Mr. JERREMS. "Or of performing services in commerce with respect to live stock handled on a commission basis in or in connection with a stockyard."

Mr ANDERSON. That refers to the stockyard, not the person.

Mr. VOIGT. That does not refer to stockyards, but it refers to services in commerce in respect to live stock handled on the commission basis; that is, it refers to the operator of the yard and anyone who performs any service with reference to the live stock while it is being handled in interstate commerce.

Section 14 says: "No operator shall engage in any unfair, unjustly discriminatory, or deceptive practice or device, or charge any unreasonable price or rate, in commerce in connection with its business."

These two sections I have read have no reference whatever to live stock. They refer to the handling of live stock and provide that no man who handles live stock shall make any unreasonable charge for his services.

Mr. JERREMS. You do not pretend to advance the idea that the commission men do not do anything in connection with handling live stock, do you?

Mr. VOIGT. No. But this bill attempts to regulate men, so far as we have it under consideration now—attempts to fix the charges or regulate the charges of men who handle live stock, but it does not attempt to give anybody any power to regulate the price of the live stock.

The CHAIRMAN. Does it include charges of commission men for services they discharge in selling live stock?

Mr. VOIGT. I am inclined to think it would affect the commission men.

Mr. JERREMS. It undoubtedly would, from the inference we draw from it.

The CHAIRMAN. Do you contend it gives the power to fix the price of the live stock you sell?

Mr. JERREMS. I contend it does.

Mr. VOIGT. There is nothing in here in those portions I have read that would give any one authority to fix the price at which live stock should be sold, and I, for one, would be very seriously opposed to any such proposition.

Mr. JERREMS. Let us take a supposititious case: Suppose live stock was selling at $15 a hundred, and the packers would come out some morning and say, "In order to comply with the provisions of this act it will be necessary for us to see that there is no unreasonable price charged, and, therefore, we will establish the price at $10 a hundred instead of $15."

Mr. ANDERSON. I would say, that would be a perfectly absurd thing for them to do.

Mr. HEINEMANN. But, unfortunately, we think they are given the power to do it.

Mr. ANDERSON. I think that is just as absurd, if you will pardon me

Mr. HEINEMANN. I know it is not your intention, but therein lies the danger of experimenting with a commission of this kind. They are very much prone, we have found from bitter experience, to advance and seek for power instead of holding themselves within reasonable interpretations of their law.

Mr. ANDERSON. I think the language is subject to criticism.

Mr. JERREMS. The reason we are making these statements, Mr. Anderson, is because of the understanding in various ways of what the law really means. If it is subject to various interpretations, it might be so under a commission.

Mr. ANDERSON. There have been a good many loose statements about the contents of these bills both in and out of the committee. I have not tried to catch up with all of them. I could not answer them if I had all the time represented by the rest of my life; but I think you are honestly trying to make constructive criticism of the language, and, as I say, I heartily welcome that. I have no disposition to argue with you about any language that is ambiguous. I say, offhand, without any argument that if the language is ambiguous it ought to be made definite and certain.

Mr. JERREMS. Section 14, "or charge any unreasonable price" may be construed to mean that the commission can restrict the "price" obtained for live stock, and it is doubtful if the Federal Live Stock Commission would be justified in price fixing. Does the producer want his prices fixed?

Section 15: We contend that the commission has no right to restrict the business of the producer's agent solely to that of the handling of live stock on a commission basis. This provision would or could prevent any one described from directly having an interest in any concern handling foodstuffs. For example, this would not permit him to be interested in the grocery business although it is not remotely connected with the live-stock industry. That in the capacity of producers' agent he has no relations with the packer either directly or indirectly other than that of seller and buyer and that he is not under the influence or dominance of any packer or packers.

Section 17: The publication of the confidential records of the producer's agent's business and making it available for his competitor is condemned as both unwarranted and unnecessary.

Section 19: Makes the employer responsible for the acts of any employee done with or without malicious intent. This should in so far as pertains to the employer, cover only acts and omissions of the employee when acting under instructions of the employer.

Section 21, page 17, lines 1 to 7: This procedure should be modified so as to allow the courts to intervene to the extent of examining the evidence and setting aside such orders unless the evidence is preponderatingly against the defendant and not merely that it is supported by evidence. Line 19 should include after the word "commission," "after examination of the additional evidence."

I would like to read at this particular time a telegram giving out the information concerning a news item published in the Chicago Drover's Journal of March 9—dated Washington, March 9. [Reading:]

Officials of the American Farm Bureau Federation in conference with Attorney General Palmer here yesterday learned that an amendment to the K. K. bills will shortly be proposed providing as an alternative for the commission which is not a feature of the bill, the utilization of Government machinery already in existence. Palmer told Senator Gray Silver, of the executive committee that he had been working with Senator Kenyon in an effort to get the kind of legislation put through which would be of the greatest advantage to the public. The amendment, if passed, will mean that the farmer, whether he be grower or dealer could, as an individual or through this farm organization, present his grievance to the Department of Justice, which would press his case for him. This would prevent duplication and would give the farmer a cheaper and more direct method of redress in the opinion of the Attorney General, with which opinion the farmer is disposed to be sympathetic.

This telegram was sent by the secretary of the Chicago Live Stock Exchange.

The CHAIRMAN. Who is to present the claims of the producers?

Mr. JERREMS. The Department of Justice. Section 25, page 22, lines 12 to 24. This paragraph 5 under article (d) "of the duties of the commission," would force the producer to submit his live stock for slaughter subject to post-mortem inspection upon demand of the packer for a certificate of health. This would require the producer individually to stand all losses incident to the condition of his live stock which might be afflicted with tuberculosis, cholera, or pneumonia in incipient stage with no external evidences, instead of as at present having the losses absorbed as an overhead packing-house cost or expense, such losses would be determined by the packer in his own plant and without competition.

Mr. ANDERSON. Section 25 is the section with reference to voluntary registration of packers and others engaged in operating stockyards and packing plants?

Mr. BROWN. We feel there is very grave danger of the packers making that construction. They have tried for years to force post-mortem examination.

Mr. ANDERSON. You have been telling us that the commission is going to make all these constructions, and that they are going to put you all out of business by construing these things against you. That does not seem to me to be entirely consistent with your view about this particular paragraph.

Mr. BROWN. We feel that the commission may put this construction upon it, and that the packers would take advantage of it.

Mr. HEINEMANN. This is a specific enactment of law with which the commission will have no alternative but to accept. You tell

him he must give the certificate on demand. So that is not subject to his interpretation.

Mr. ANDERSON. I did not draft this particular provision. Section 25 of this bill, as well as section 14 of the bill, which I introduced, were proposed by gentlemen who were interested in promoting co-operative and independent packing enterprises. How successful they would be in that line I do not know. But I have been very much surprised at the opposition to these provisions.

Mr. JERREMS. If we, from the experience we have had, find that the provision in a proposed bill would do things that would be detrimental to the producers, it is our duty to come here and tell you about it.

Mr. ANDERSON. I think you are quite right; I am not criticising you at all in that regard.

The CHAIRMAN. But nobody has any knowledge of the personnel of this commission. It might be with the packers or producers, or it might be against one or all of them, and certainly we do not want to enact any law unless it is specific in terms so that we may know where we are at. Certainly, if post-mortem examination is provided for as required, and if the producers are to stand the loss, we had better put the bill in the wastebasket and take up no more time with its consideration, so far as that is concerned.

Mr. ANDERSON. I agree with you.

The CHAIRMAN. I think that has been settled that this committee would not report anything of that kind.

Mr. JERREMS. We will proceed. The proposed system under which live stock could be sold subject to post-mortem would destroy the present cash basis of sale under which the shipper receives his money immediately on the day of sale. If the shipper must wait for days or until his stock has been slaughtered and the carcasses inspected, it will destroy the great cash market the like of which can be found nowhere else in the world. This would furthermore restrict the sale at the great central markets to the local killer and remove the great competitive elements of eastern packer buyers and local yard traders. If this bill purports to bring more competitive buying to the open market, then by all means we must avoid any action of this kind.

Section 25, page 23, lines 1 to 6, article (e): This provision would permit the commission to tell the packers' and producers' agents how they would permit sales of live stock to be made.

Section 29: The appropriation of $75,000 of public money would merely get the commission established and further appropriations of substantially larger sums of money would be required to administer this act. The expenditure of public funds in the creation of commissions to supervise private industries controllable by already existing laws merely adds to the burdens of taxpayers and tends to create and foster discontent.

Mr. Gronna, in his report accompanying Senate bill 3944, says in part that:

> The greatest care has been taken in its preparation to avoid interference with private initiative and not to place arbitrary powers in the hands of any Government agent.

We have shown wherein it does interfere with private initiative, and that the authority of the commission is absolute and in certain

respects not open to the inspection of the court of appeals, and that it would have most arbitrary powers. Mr. Gronna also says that:

this measure will meet the demands of all the great farm organizations, and that it will prove satisfactory to consumers from both of which classes has come the imperative call for legislation.

More great farm organizations and producers condemn any such legislation than favor it.

Regarding the consumer, he is not in any way provided for, for there is no supervision of the retailers of "live-stock products." The consumer does not and can not buy his daily supply from the "packer." He must and does buy from the retailer and the retailer is not mentioned nor his activities subjected to supervision by this act, and this notwithstanding that more criticism is directed at retail prices than at any other phase.

The market fluctuations, which are temporary and which have no bearing upon the general trend of values and which are the cause of such persistent complaint by producers, who, unfortunately, are contributors of live stock on the "breaks," are not in any way touched upon or provided for in this bill. Much of the complaint against the packers could be removed by the elimination of these temporary violent fluctuations which have no bearing upon ultimate values, and confidence in markets would thereby be restored. This industry has been under the supervision of the Bureau of Markets by virtue of the food control act, and yet we have experienced the greatest daily market fluctuations in our history during this period.

In conclusion, the statements made herein are prompted by experience. Mr. Stafford and myself have both been active live-stock salesmen representing producers at the Chicago market for a quarter of a century and have observed the effect of State and Federal restrictions previously applied. If the purpose of this bill is to reduce the high cost of living, then it must follow that similar control will have to be established over other necessities, such as clothing and shoes. Certainly there is no justification in excluding from such control the wholesale grocers' associations, who have urged the enactment of this legislation and whose representatives have exerted their influence to bring about its passage.

The CHAIRMAN. Are there any questions?

Mr. VOIGT. Mr. Jerrems, you spoke here in the next to the last paragraph about breaks in the price of live stock. Do you not think that the packers by staying out of the market in the stockyards at various times have contributed to bringing about those breaks?

Mr. JERREMS. I do.

Mr. VOIGT. They have more power by concerted action to bring about breaks than all other forces combined, have they not?

Mr. JERREMS. The buyers are one side of the market, the sellers are the other side.

Mr. VOIGT. Well, when you consider that the packers buy 70 per cent or more of all the live stock on the market, when they stay out of the market of course they are the greatest force in making and breaking the market?

Mr. JERREMS. Oh, yes; when they withdraw their buying.

Mr. VOIGT. Do you not think that that sort of practice needs regulation?

Mr. JERREMS. I think that my statement is to that effect.

Mr. VOIGT. You advocate legislation which will prevent that sort of thing?

Mr. JERREMS. Why, we have always contended that these violent fluctuations which have no bearing upon the general trend of the value of the product, should be eliminated.

Mr. VOIGT. I understand you are opposed to all the legislation which is pending before this committee for investigation, is that right?

Mr. JERREMS. No; I think my statement has been consistent, that we are not opposed to constructive legislation.

Mr. VOIGT. Well, will you point out what sort of legislation you would advocate? Give us an outline of what sort of legislation you would favor.

Mr. JERREMS. Well, specific statutes defining what should be done and what should not be done.

Mr. VOIGT. Will you point out some things that the statute should regulate as being lawful or as being unlawful to be done? What are the things you have in mind?

Mr. JERREMS. I think that can be determined from the statements I have already made in my prepared statement.

Mr. VOIGT. I doubt whether it can be. Won't you please state a few concrete things that you think ought to be the subject of legislation.

Mr. JERREMS. If there is to be any legislation I would think that control of the live-stock product from the time it leaves the packer until it is in the hands of the consumer should be a part of that bill.

Mr. VOIGT. Well, that is a broad statement. Is there any business practice that is indulged in by the big packers or the little packers that you think ought to be regulated by law?

Mr. JERREMS. I think the laws already existing are sufficient to cover any such action.

Mr. VOIGT. Then it follows from your answer that there is really no legislation that you would advocate?

Mr. JERREMS. Excepting that the regulations, whatever they might be, shall be specific and not left to a commission to determine what they shall be.

Mr. VOIGT. Yes. The gentlemen coming before this committee all say they do not want any commission form of government, that they do not want any license system, that they want laws which will state positively what can be done and what can not be done. Now, I would like to have you point out some of the things that ought to be specified in such a law as to what can be done and what can not be done.

Mr. HEINEMANN. Pardon me, Mr. Chairman, I do not think the witness has said he had in mind any laws that should be added to the present statutes.

Mr. JERREMS. I am not prepared in any way to give a specific law. We did not come prepared in that way.

Mr. VOIGT. Well, if you do not know of anything, I shall be glad to have you say so. I was just wondering whether you had in mind anything that ought to be regulated by law—any specific matter.

Mr. JERREMS. I think my prepared statement covers that point very clearly.

Mr. VOIGT. Your statement, as I understand it, is a list of objections which you have to the bill which the Senate Committee has reported. You point out certain deficiencies in a bill that has been offered by the Senate. Now, what I would like to know is whether you have anything to offer as a substitute.

Mr. JERREMS. No; we did not come prepared with any specific bill or proposition other than what we have already stated in my prepared statement.

Mr. VOIGT. I think that is all I care to ask.

Mr. ANDERSON. Mr. Jerrems, just what did you intend to convey by the caption of this printed statement of yours, as follows:

In re the Anderson bill (H. R. 6492), as amended, and similar legislation.

Mr. HEINEMANN. Mr. Anderson, we understood at the time of our conference on this subject, from the press dispatches, that you had indicated to the committee here that you would accept in lieu of the original Anderson bill the new or so-called Gronna bill. We did not know whether that had been officially offered on the floor as an amendment or not, but we simply took it from the press report that you had indicated your acquiescence in that.

Mr. ANDERSON. I did not make any such statement.

Mr. HEINEMANN. That was the press report.

Mr. RAINEY. Did you not say, Mr. Anderson, that you accepted the Gronna bill?

Mr. ANDERSON. I simply said that I agreed to the substitution of a commission in lieu of the Secretary of Agriculture for the administration of the act. Otherwise, I did not in any sense accept any provision of the Senate bill as amended.

The CHAIRMAN. While the Anderson bill is before the committee the committee will take into consideration the whole subject. We are not confined to any particular bill or any particular amendment; we are considering the whole subject and will be pleased to have any suggestion as to remedial legislation that anyone may desire to offer.

Mr. ANDERSON. And I think the committee is also willing to have any criticism of any legislation that is pending.

The CHAIRMAN. Have you any questions, Mr. Rainey?

Mr. RAINEY. Not any.

The CHAIRMAN. Mr. Jerrems, one contention is that the laws we have upon the statute books are quite adequate. Another contention is that the Sherman antitrust law has been weakened considerably by the Clayton Act, and therefore should be sterngthened, or at least should be made what it was before the Clayton law was enacted. What is your contention about that?

Mr. JERREMS. I think, Mr. Chairman, that that would cover, and perhaps fully, all of the things that are required at the present time.

The CHAIRMAN. Then, if it should be found necessary to provide for additional penalties, possibly imprisonment, and if the charges preferred by the Federal Trade Commission should be found to be true, which might be reason for enacting further legislation, you would be in favor of it?

Mr. JERREMS. I see no reason why we should not be in favor of that.

The CHAIRMAN. But you are opposed to a commission?

Mr. JERREMS. I am opposed to a commission in the present form that these bills have been presented in.

The CHAIRMAN. You believe that Congress should properly function; that it should enact specific laws and not leave it to any commission to make laws?

Mr. JERREMS. Yes. That has been very clearly brought out here, because we put one interpretation upon it, Mr. Anderson another, and some other gentleman still another.

The CHAIRMAN. What I want to know is whether you were absolutely opposed to any legislation or if you are in favor of the legislation necessary to bring about the results desired?

Mr. JERREMS. If the existing laws are not sufficient to bring about the results that are required, amendments to them would be sufficient, and we do not think that a commission form of administering an important industry of this character is at all necessary.

The CHAIRMAN. Very well; we are very grateful to you.

Mr. RAINEY. I am going to ask the committee to hear Mr. Stryker. It will not take long.

STATEMENT OF MR. A. F. STRYKER, 212 EXCHANGE BUILDING, STOCKYARDS, OMAHA, NEBR.; SECRETARY AND TRAFFIC MANAGER OF THE OMAHA LIVE-STOCK EXCHANGE.

Mr. STRYKER. I am also laboring under the disadvantage, gentlemen, of having understood that Mr. Anderson had agreed to accept the Gronna bill. I find that I am incorrect in that understanding but I shall address myself to the general subject as best I may. I have just a few notes, and I will try to conclude what I have to say in a very few minutes.

I have had about 30 years' experience in the stockyards, and have had a chance to watch legislation of different kinds and the handling of our business in its many ramifications during that time. I have followed these later bills very carefully through their different changes, and apparently we have about reached the time when, if at all, something is about to be done.

There is one thing that strikes all of us, we think, below the belt. We wonder why we are always the goat. We wonder why, as Mr. Anderson suggested a while ago, some other fellow was not picked out to have his business regulated. We wonder why it must always be the live-stock business.

You know, we have labored under the idea all these years that our business was done pretty much on honor, that the transactions with the shippers whom we represent were made between two gentlemen whose words were inviolate. We have machinery in our organizations for keeping the business fair and square and above board. We believe that there now are statutory provisions for taking care of dishonest men. We believe there is enough legislation along that line and that if the shipper may be assured that his business is going to be honorably and honestly cared for that is about all he has in mind and about all he can ask.

Some of the gentlemen, by their questions this afternoon, lead me to explain just how live stock is handled through the different yards, the different interests which handle the stock, and how the shippers' interests are protected.

First, he starts his live stock to the public market from the country. He gives it to the carrier. The carrier delivers it to the stock-

yards. There I will commence to amplify a trifle. The stockyards company is entirely separate and distinct from the selling agencies in the market. We fight with them whenever service is not adequate——

Mr. ANDERSON (interposing). Right there; are you speaking for all the live-stock exchanges or are you speaking for Chicago?

Mr. STRYKER. I am speaking for Omaha and from pretty general knowledge of the live stock markets of the country. I was secretary of the National Exchange for a number of years. You did not hear me, I realize, when I said I had had 30 years' experience on the stock markets of this country. What I say, unless I specifically mention Omaha, may be taken as of general application.

Mr. ANDERSON. Of course the only objection I am making is this: I have to go, and I do not want to be in the attitude of admitting—because I do not think it is true—that there is any connection on any of the stock yards between the commission men and the stock yards. But certainly if there is any relation it is improper. That there is a relation, and in many instances a contractual relation, is, I think, true. I know it is true in St. Paul. For instance, I know that in the St. Paul contract the commission man agrees that he will sell the dead cattle to a certain rendering concern designated by the stockyards company. That may create in your mind no relation between the stockyards company and the commission men; in my mind it does.

Mr. STRYKER. Well, I will reduce the scope of what I am going to say just a trifle, then.

At Omaha the live stock reaches the stockyards, where it is handled by the stockyards company, an entirely separate corporation, a separate institution from the selling agencies. We at Omaha handle our own dead live stock, taking care of that particular question which you raise. We have absolutely no contractural relation with the stockyards whatever.

As I said before, in many instances we insist that better service be given the shipper by the stockyards company. We are the shipper's hired men. We are doing what we think is for his best interest.

Then come the selling agencies, the commission men. We take that stock from the stockyards companies. We feed, water, and sell it, weigh it, and transfer title on it, and return the proceeds to the company. Part of the stock is sold to the packers, another entirely separate organization. Part of it goes to the feeders or to the speculators for resale. Part of it goes to the country.

So there are numerous separate organizations on the markets handling your live stock, and I think they should be segregated in your treatment of the whole live stock situation

We have not a monopoly. You asked some questions this afternoon, Mr. Anderson, with relation to the ability of an outside nonmember concern to do business on the markets. The second largest hog firm on the market to-day is a cooperative concern that is not a member of our organization. It asked for membership and we refused it because it would not conform to our rules. Then they asked us to conform to theirs.

Mr. ANDERSON. In what respect did they refuse to conform to your rules?

Mr. STRYKER. They have a patronage dividend plan, which to us is a rebate. We did not think it was a proper method for handling

the business. They are there, as I have suggested, doing the second largest hog business on the market, not hampered——

Mr. VOIGT (interposing). Right there. What difference does it make to you what a commission merchant does with the money that his business earns?

Mr. STRYKER. I am glad you asked the question.

Mr. VOIGT. Suppose he gives it to charity; you would not object, would you?

Mr. STRYKER. No. We all give to charity a good deal; we get some exemption on our income tax in that way. But I will answer the question; I think I know what you want. We must have a standard basis of charges or the business of selling live stock on the public markets to-day will deteriorate into the condition which existed at the public markets 30 or 35 years ago. The stories that are told are harrowing. We must know that the big men and the little men, the one-car shipper and the trainload shipper, are accorded exactly the same service at the same price. You know what the situation was in the railroad world; the same thing would obtain with us.

Mr. VOIGT. Do you mean to say that unless all live-stock commission men charge the same fee there would be a demoralization and crooked practices would result?

Mr. STRYKER. It is inevitable in human nature. If one man sells a car of cattle for $10 and someone else says he will sell it for $9 or $8 or $7, he has got to get a living somewhere, and the old-time stock shipper—I think the chairman of your committee will recall what would have occurred and what did occur during the old regime when there were no fixed standard prices.

Mr. ANDERSON. As a matter of fact, then, in order to maintain that situation, you practically have to provide that nobody can do business on the stockyards as a commission merchant unless he is a member of the exchange?

Mr. STRYKER. Oh, no. The fact of the matter is that the largest hog firm on our market is not a member of our exchange.

Mr. ANDERSON. That is the only one, is it not?

Mr. STRYKER. That is the only one. There is no reason why another firm could not start to-morrow if it wants to.

Mr. ANDERSON. Oh, there is no legal or technical reason, but there are a dozen practical reasons.

Mr. STRYKER. Well, the proof of the pudding there is the fact that this firm is the second largest hog firm on our market, which shows conclusively that they may go in and do business in that way. It shows that they are not hampered.

Mr. VOIGT. Well, those people, so far as you know, are doing a legitimate and honest business?

Mr. STRYKER. I have not any complaint to make as to them. Their profits go back in patronage dividends. We consider that as a rebate, subversive of good business policy, and that the final outcome of that will not be for the best interests of all the shippers.

Mr. VOIGT. Well, so far as you can see now, although they are paying back something to their shippers in the shape of a dividend, they are conducting a prosperous and honest business?

Mr. STRYKER. They say it is prosperous, and I would not say that it is dishonest; no, sir.

Mr. VOIGT. Then there is an organization which is doing a large business, and so far as you know a proper business, not in harmony with the rules that have been laid down by your organization?

Mr. STRYKER. That only shows there is no monopoly.

Mr. VOIGT. No; it shows that men may do an honest business without conforming to that rule under which you excluded these people.

Mr. HEINEMANN. Mr. Chairman, it may not be improper for me to suggest that it might be enlightening to the committee to get the report of the Bureau of Markets giving the disclosures that they developed in an investigation of that firm at Omaha; also at St. Paul.

Mr. STRYKER. I am not an adept in the use of a hammer; I was not going to mention that. I am going to refer the committee to a charge which was filed with the Bureau of Markets against our organization. The charge was heard at Omaha, and during the trial of that case it developed that some practices had been indulged in by this concern which—well, developed a profit which has not yet been divided. But I would sooner the committee dug into that themselves than give you the details to it. I do not care to knock our competitors. You gentlemen can get this information from the Bureau of Markets, and it might be well for you to look into it if you care for the information.

Mr. VOIGT. I ask these questions for the purpose of finding out whether you had been guilty of an unjust discrimination——

Mr. STRYKER. No; we have not.

Mr. VOIGT (continuing). Against a concern that desired to become a member of your organization.

Mr. STRYKER. No, Congressman. They asked us to change our rules, which had been in effect for years, and we thought they were pretty good rules and we decided we would not. So we did not let them in. They started independently, and they are going along nicely.

The CHAIRMAN. You spoke of St. Paul?

Mr. STRYKER. I know little of the St. Paul situation.

The CHAIRMAN. Were there any charges preferred there?

Mr. STRYKER. I do not know.

Mr. HEINEMANN. I think it would be proper for this committee to demand of the Bureau of Markets a report of the disclosures they could make of those two concerns. They have investigated both of them. Whether or not they ascertained anything that was dishonest I do not know. I did not attend the hearings, and Mr. Stryker and our witnesses, of course, have no inside knowledge of their business. We do know that the bureau did investigate it, we do know that there were certain facts disclosed, and we do know that there was no action taken.

The CHAIRMAN. At both Omaha and St. Paul?

Mr. HEINEMANN. At both Omaha and St. Paul; yes, sir.

Mr. STRYKER. I said before the Senate committee that we had no objection to having the Government check our books and publish any bad spots they might find. I am perfectly agreeable that that shall be done now.

The CHAIRMAN. Would that meet with the general approval of the commission men?

Mr. STRYKER. Why, we can not object to it, Mr. Chairman. The country is entitled to know that their business is being honestly handled. A little later I believe I can explain to you a proposition we have in mind which will give the country every bit of information it might ask along that line without the necessity of a Government check. I am coming to that right now.

We believe we have hit upon a plan which will give the producer of live stock ample protection. It is our intention, and we have already started the machinery, to enable each one of our commission firms to bond itself to the country for the faithful performance of every obligation, that the shipper may receive every dollar he is entitled to, that the carrier may get his freight, and the stockyards its yardage, and the country be protected in every respect, and that an audit be made periodically by certified accountants, with a duty to publish any bad spots which might develop. We believe that that will meet the wishes of Mr. Anderson and all of the gentlemen who have introduced legislation along this line, to absolutely guarantee the safety of the shipper, and I believe that is all you have in mind.

The commission contemplated by this bill will, if the bill shall become a law, almost inevitably result in political debts being paid. I do not say that is criminal; I say it is human nature. Could we be guaranteed that only practical, experienced, unbiased, nonpartisan gentlemen, with no preconceived ideas that we were all wrong, would always be on a commission of this character we might have nothing to fear. Can you guarantee that? I think not.

The CHAIRMAN. It is asking a great deal.

Mr. STRYKER. Yes; it is, and that is why I am interjecting just exactly what you have heard. This bill gives the commission all of the duties of the Bureau of Markets, with some additions. It seems to me your concern with us need be only: Are we honest? May you know we are honest? Will we remain honest? May you be sure? You may, if we bond ourselves and have our books audited and publish the results of audits. Our bond proposition will give you that absolute guaranty. And then compensation itself, with 47 commission firms on the market, affording the shipper just one thing—service—will guarantee to you the honest treatment of your business.

The CHAIRMAN. You spoke of having your books audited. By whom?

Mr. STRYKER. A certified accountant.

The CHAIRMAN. Employed by your association?

Mr. STRYKER. No, sir. Oh, no; employed by the bonding company. We are going to get away from that objection.

The CHAIRMAN. I had reference to whether the auditing would be done by the Federal Government or not.

Mr. STRYKER. No; our idea, Mr. Chairman, is that the auditing will be done by the company which goes bond for us, with the distinct understanding that any bad spots shall be given publicity—given to us, that we may exercise our machinery for the prevention of its recurrence.

We represent the shipper on our public markets. We aim to honestly and conscientiously safeguard his interests. He comes to us for advice, and, except in isolated cases, is not heard to complain. I have talked with thousands of shippers in the last two years. I

have handled thousands of loss and damage claims for them. They come into my office and tell me their troubles, and while they are there I talk with them on other matters, and I am positive in the statement that not one-half of 1 per cent of the people who come into the office are in favor of any such legislation. They say it is not needed.

Mr. RAINEY. These are shippers and producers you say you have talked with?

Mr. STRYKER. Yes, sir. Now, given protection by a bond, by audit, by publicity, by confidence in us on the part of the great majority of shippers, and by competition among ourselves, why place us under a politically appointed commission? In my judgment, cooperation will settle this whole problem. The suggestion made here this afternoon by Mr. Brown, will, if carried out, settle the whole trouble. Joe Mercer said to me this afternoon that he could pick nine men who could settle the whole thing.

The independent packer is free on our market. Our traders are free; and many is the time—in contradiction of what Mr. Sykes said the other day, I am told—I have seen the traders give more for stock than the packers would pay. It was worth more to them to sell to some one to go to the country and be refinished or further finished. The trader is an advantage to the producer. His activities should not be curbed; they should be encouraged.

Now, as to stockyards. We absolutely care not a whit who owns them so long as the service they render our shippers is adequate. We are afraid that if these stockyards shall be sold and go to the man who is looking only for dividends from that particular investment, the latter state of the shipper to our public markets will be much worse than it is to-day.

I am glad Mr. Jerrems brought out the post-mortem inspection feature. We can not afford, and you can not afford, to do anything which will destroy the cash market of our country, and this post-mortem inspection privilege will do that very thing; because each single animal will have to be designated by number in the country. be sold separately, weighed separately, sold by a number rather than by the animal, and a record kept of each individual animal; and I assure you, gentlemen, that instead of getting your proceeds the day you market your cattle you will be in luck if you get your money a week from the day after to-morrow.

Now, with relation to some of the bad spots which developed at one of the markets. I happened to be in Washington at that time in an advisory capacity with this same Bureau of Markets. When the report came to Washington that they had discovered dishonesty on the part of one of the commission men on the Chicago market, the chief was gone. Mr. Hall, who is next in authority, was gone. The next man was gone. So they brought the telegram to me, saying, "What shall we do with this, Mr. Stryker?" I looked it over, and said, "Wire that information at once to the president of the Chicago Live Stock Exchange and they will do all that is necessary." The information was given the Chicago Live Stock Exchange on my suggestion. They expelled the guilty man and secured the money he had stolen from his shippers, with responsibility for its being paid back.

The CHAIRMAN. You say "they" secured the money?

Mr. STRYKER. The exchange, I mean.

The CHAIRMAN. The exchange?

Mr. STRYKER. Yes, sir; the exchange; not the Bureau of Markets. The exchange secured the money and was instrumental in seeing that it was sent back to the country; and the last I knew of it, that man's license was still in existence. Further than that, the man who gave that information to the Chicago exchange on my suggestion was severely criticized by the local department of the Bureau of Markets, which said:

You had no business giving that information to the Chicago exchange; it should have been kept here.

I submit, gentlemen, that where people in the employ of the Government, bureaus of this, that, or the other kind, are so jealous of their opportunities for making a show that they will not allow the operation of the only instrumentality that can promptly and adequately stop the bad spots, the system is mighty faulty. We do not want to run the risk of having any more occasions of that kind develop.

I think that is all.

The CHAIRMAN. May I ask, Mr. Brown, was the money refunded at the suggestion of your organization?

Mr. BROWN. Yes, sir; we secured a promise.

The CHAIRMAN. And then the money was paid over to the Bureau of Markets and distributed by the Bureau of Markets? Is that correct?

Mr. BROWN. Yes. The committee of the exchange of which Mr. Stafford and I were both members went to visit this man, and we secured from him securities amounting to approximately $30,000, which were placed in escrow in one of the banks, and then we had an audit made of his books as far back as we could get them.

The CHAIRMAN. Was the audit made by your association?

Mr. BROWN. By certified public accountants under the Chicago Live Stock Exchange. That money was distributed by the exchange voucher.

The CHAIRMAN. Then what did the Bureau of Markets have to do with it?

Mr. BROWN. They originally discovered, under an accounting plan, in going through this man's books, discrepancies and irregularities.

The CHAIRMAN. Under the law they had access to the books?

Mr. BROWN. Yes, sir. They then took his books into their possession. The exchange heard of these occurrences and we demanded of the Bureau of Markets access to the books. For nearly two weeks we were unable to get access to them. I finally wired the Chief of the Bureau of Markets, Mr. Brand, that if he any longer withheld any information that we thought would be of benefit to the producers, benefiting this man, we would hold him personally responsible for withholding that information. We then obtained the books

The CHAIRMAN. The Bureau of Markets had the books in its possession?

Mr. BROWN. Yes.

The CHAIRMAN. Under your by-laws and regulations do you have access to the books?

Mr. BROWN. No; but we have figured—and the National Live Stock Exchange recommended at its last meeting—that this bonding system which Mr. Stryker spoke of, which would carry with it the auditing system, be installed in each exchange in the United States.

The CHAIRMAN. You are contemplating doing that at Chicago?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Is that quite general, do you think, throughout the country?

Mr. BROWN. I think it will be the only thing the exchanges can do to place themselves absolutely above criticism, and the only thing they could be criticized on now.

Mr. HEINEMANN. I might say that that general system is already in effect at Kansas City, St. Paul, Denver, Wichita, and Oklahoma City, and there are several others now figuring on it.

The CHAIRMAN. Have there been many losses incurred by the commission men?

Mr. HEINEMANN. Not as to members of the exchanges. That is watched very closely.

The CHAIRMAN. Has there been any considerable number?

Mr. BROWN. Very few.

Mr. STRYKER. I can answer as to that for Omaha. Since the exchange was organized in 1889 there has been but one commission firm fail. The history of the exchange has been good. We have a provision in our rules which enables us to go to any firm the members of which are members of our organization and check their books, if any complaint shall be made either by a member or by a shipper. Oftentimes shippers come to me and say: "I do not just exactly understand such and such a transaction." "Well," I say, "we will go up to the commission firm and find out." So I take them right down and look over the transaction. If it is O. K., as it is in practically every instance, I just show the shipper, and he is satisfied.

We realize, gentlemen, that only as we do our business that way may we retain your confidence and the confidence of the people. That is absolutely a fact. A crook can not always live; he can pull off some bad ones once in a while and get away with it, but it can not be done for long.

The CHAIRMAN. That is true in every activity, is it not?

Mr. STRYKER. Yes, sir.

The CHAIRMAN. I believe practically everybody concedes that the commission men are no better and no worse than the rest of us.

Mr. STRYKER. I am mighty glad to have you say that, Mr. Chairman. That is a little encouragement. That is something we do not get very often in this world, and we appreciate it.

The CHAIRMAN. I think you will get that from this committee.

Mr. STRYKER. I know we will get fair treatment, but we do not often get a bouquet.

The CHAIRMAN. I do not know that you can consider that a bouquet. I said you were on a level with the rest of us.

Mr. RAINEY. May I add a tribute to the members of your organizations, the commission men; also the speculators and traders. I think they are as fine a class of men as I have ever met—we are very proud of them in Chicago.

Mr. STRYKER. You embarrass me, Mr. Rainey.

Mr. RAINEY. I wish to ask a question. I can not reconcile your statement and also that of Mr. Brown and Mr. Jerrems, with other

testimony we have listened to. You say that after meeting so many farmers, shippers, and producers of live stock you find hardly half of 1 per cent of them favor legislation of this kind. We had here last week representatives from farm organizations saying they spoke for many hundreds of thousands of producers, and that all of the producers favored this legislation. I wondered if you could throw any light on such statements.

Mr. STRYKER. I believe maybe I can. I have attended stock growers' conventions for 15 or 18 years, a dozen or 15 of them a year. At some of those meetings they passed resolutions which did not sound very well to us. Almost every time some agitator or some disgruntled party got up and painted us in not altogether too rosy colors, and these resolutions were adopted, as suggested by Mr. Brown, without being half considered. Our own Nebraska association did not indorse the Kenyon-Kendrick bill. The Wyoming association—the home of Senator Kendrick—while it indorsed the bill, did it in a very half-hearted manner.

Mr. HEINEMANN. Did that Wyoming association indorse the Kendrick bill?

Mr. STRYKER. Well, I said they indorsed it in a half-hearted way. They indorsed some regulatory legislation.

Mr. HEINEMANN. Specific legislation?

Mr. STRYKER. Yes, specific. I wanted to be conservative in my statement; that is all.

Montana did not indorse the bill. So it is not all one-sided, and I will guarantee to you, Mr. Rainey, and the other gentlemen of the committee, that I can take the membership of these several associations whose representatives have come down here and damned us right and left, and lay the case before them in the presence of some referee who will see that I am fair in it, and 99½ per cent of them will say, "Why, no; I have not any fault to find with your work. You loaned money to start me. You have helped me along always. You are honest in the care of my business. I do not think you need regulating and I am not in favor of it." While perhaps the president or secretary of this very organization has come down here as the result of a meeting of the board of directors or a few of the chosen, saying, "I represent a certain association which is in favor of this proposed legislation."

Now, I know what I am talking about. I come in daily contact with these shippers——

Mr. RAINEY (interposing). You do not think then these organizations speak for the producer or the farmer?

Mr. STRYKER. Some of them do; many of them do not. I have seen organizations swayed by an orator to adopt resolutions that many of the members were very sorry for afterwards. You know, it is very easy to condemn, to tear down, to find fault. It is not so easy to offer constructive criticism, to build up. Too many people use the hammer.

Mr. RAINEY. That is all.

Mr. VOIGT. I notice in the report made by the Secretary of Agriculture to the President under date of January 24, 1920, that he says:

The testimony as a whole offered by the stockyards licensees at Fort Worth and Omaha shows that they buy their corn by weight on a basis of 56 pounds per bushel and sell it by measure.

Then he goes on to say that these stockyards have made thousands of dollars since January 1, 1918, in overcharging for the amount of corn furnished. You do not approve of that practice, do you?

Mr. STRYKER. If that practice is existent it is all wrong, absolutely wrong. Of course we do not approve of it.

Mr. VOIGT. Well, it is found to be a fact, by an investigation here.

Mr. STRYKER. But why do not the people who made the investigation and found it was wrong do something about it? I want to assure you, sir, that nothing of that character has been done on the Omaha market; and I want to assure you further that we, the selling agency, have had thousands and thousands of bushels of corn weighed to see that our shipper was getting what he paid for. We want the stockyards company to have a profit, so that they may feed us good corn.

Mr. VOIGT. Then you take exception to the truthfulness of the report made by the Secretary of Agriculture?

Mr. STRYKER. I do not know what they took the corn in at, at what weight. I know nothing of that, but I do say this, that if they found anything wrong something should have been done.

Mr. VOIGT. That is what I am trying to get to.

Mr. STRYKER. We should have been told of it. No one has ever come into my office and said anything was wrong with the feed, and we have corrected the stockyards company many many times. I could take you back, sir, 25 or 30 years when I was with the stockyards company at Omaha, when there was a decided creep in the feed accounts of the stockyards company. That does not exist to-day to anything like the extent it did in the past. It is inevitable that if 50 bales of hay are weighed that average 75 pounds, some of them weighing a trifle under and some a trifle over—they can not get the work done in a day, weighing each bale as they feed it.

Mr. VOIGT. That is not the complaint here. The Secretary of Agriculture says here:

> Variations in the pounds of hay and bushels of corn bought, in the case of the Fort Worth Stockyards Co. and the Omaha Stockyards Co., are found to be substantial and, translated into money, amount to many thousands of dollars in each case.

Mr. STRYKER. I do not believe that, sir. And if that were true, and true so long ago that the Secretary could have made a report on it under the date you have read, why has he not done something about it?

Mr. VOIGT. Well, that is beside the question. The Secretary says that the complaint made against the stockyards companies covers only the period from January 1, 1918, down to the date of the auditing of the books, or approximately 18 months. In other words, this is a very recent case.

The fact that you say you do not think such a practice exists would not satisfy me of anything. Here is a report made after an investigation by an official of the Government. Now, what I want to get at is this: Do you not think it is all right for some governmental agency to exist as a check of this sort of thing?

Mr. STRYKER. I do not object, sir, to anything of that character which will absolutely safeguard the interests of the shipper. If it is going to require a Government employee to check these things, well and good; I am for it. I want everything in connection with the marketing of the live stock of this country open and above board.

Mr. VOIGT. To the extent of remedying this situation at least, you would be in favor of some sort of legislation?

Mr. STRYKER. If there is that situation there, yes, indeed, sir. But the remedy is in their hands to-day, and I wonder why they have not said something to us about it. We are the next of kin to the Omaha market, and we have never heard about it.

Mr. VOIGT. I want to say I do not know whether anything has been done pursuant to this report or not. It is a report that has just been made.

Mr. STRYKER. I do not hold a brief for the stockyards company of Omaha. There are months at a time when I am not welcome in their office; I stick so many pins in them, but it has not been on the feed. What I can not understand is why, if something of that sort has developed, we have not been told.

Mr. VOIGT. Of course the report made by the Secretary of Agriculture is a public document. There is no duty incumbent upon him to furnish that to you.

Mr. STRYKER. Do you not think, however, that there is a duty incumbent upon him to protect the shippers?

Mr. VOIGT. I think that by making this report public and making this investigation he has endeavored to protect the shippers.

Mr. STRYKER. Do you think he has gone the limit? I do not.

Mr. VOIGT. I do not know what he has done. What further he has done I do not know. But I do know that if the Secretary of Agriculture had not made this investigation these facts probably would never have been made public.

Mr. STRYKER. We do not care—let me reiterate that, and I will say it slowly—we do not care how much our affairs shall be investigated; we want you to be satisfied and we want the shipper to be satisfied.

Mr. VOIGT. I will say for myself that I think you gentlemen in the commission business are just as honest and just as capable as the men who are engaged in the average line of business, I have not any doubt about that, and this proposed legislation is not, in my judgment, aimed at you gentlemen who are in that business. Of course there may be something incidental to this legislation that may affect you, but I do not think you have anything to fear. This legislation, so far as I am personally concerned, aims at the suppression of a monopoly by the big packers, if such a monopoly exists—and of course it will be for this committee to determine whether such a monopoly on the part of the packers in the buying and selling of the live-stock product of this country does exist.

Mr. STRYKER. We would be mighty glad to have you move to strike us from the bill, because we are getting awfully tired of having to defend ourselves year in and year out.

Mr. VOIGT. I do not understand that any specific charge has been made against you gentlemen as a class. Of course there are wrongdoers in every line of business.

Mr. STRYKER. Yes, unfortunately; we will admit that.

Mr. VOIGT. And I do not think that there is anything before this committee which says that the commission men as a whole are incapable or dishonest or anything of that sort. At least I do not believe it.

Mr. STRYKER. But you know when legislation is proposed time and again, session after session, to regulate us, the country begins to think, why, maybe there is something wrong with those fellows; maybe they do need regulating. This constant pointing of the finger of accusation leads the general public to suspicion sometimes.

Mr. VOIGT. Well, I think the agitation has been directed to the packers a great deal more than it has been to men in your line of business.

Mr. STRYKER. I think that is true, but at the same time we come in for our share of it.

The CHAIRMAN. It is now after 7 o'clock. The committee will stand in recess until 10 o'clock tomorrow.

(Thereupon, at 7.10 o'clock p. m., the committee adjourned to meet at 10 a. m. tomorrow, Friday, March 12, 1920.)

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